# FINANCIAL TIMES

the week with...



A Media futures Hold the liquid crystal display!



People

Lloyd's: the mood in the camp



Management

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# Hamas withdraws ceasefire offer ahead of summit

The extremist Hamas Islamic movement, responsible for a wave of suicide bombings in Israel, withdrew its offer of a ceasefire and said it would resume attacks. The warning came as world leaders prepared for an international summit in Egypt on Wednesday to shore up international sup-port for the fragile Middle East peace. Page 16

US warns China against war games: The US began moving an aircraft carrier taskforce closer to Taiwan as Washington warned China against further "risky" acts against the island. Page 16; Chinese media pressure, Page 4; Editorial Comment, Page 15; Emerging markets, Page 24; World stocks,

Fokker plans slimmed-down future: One of three subsidiaries of Fokker has been removed from court-approved protection from creditors in an attempt to create a vehicle for reviving the Dutch aircraft maker in slimmed-down form. Page 17

Pechiney seeks 8% cost cuts: Pechiney, French aluminium and packaging group privatised last year, plans to cut annual costs by at least FFr1.5bn (\$297m), or 8 per cent, and expects substantial staff cuts. Page 17

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IRA pressed to renew ceasefire: Sinn Fein faced renewed pressure yesterday from London, Dublin and Washington to go back to the IRA to demand a fresh ceasefire. Irish prime minister John Bruton urged the Northern Ireland republican movement to "stop thinking in terms of threats".

Japanese toolmaker plans UK expansion: Japanese machine tool producer Yamasaki Mazak plans to expand capacity at its plant in Worcester, central England, by 20 per cent. Page 9

Citibank close to choosing London site: Citibank of the US has drawn up a shortlist of three potential sites for its new London headquarters and is expected to make a decision this month. Page 6

BET predicts 27.5% dividend rise: Business services group BET predicted a 27.5 per cent dividend increase as part of its defence against a £1.9bn hostile takeover hid from Rentokil. Page 18

Perkins targets luxury cars: UK-based diesel engine manufacturer Perkins is seeking to supply the world executive and luxury car market by offering engines in production runs shorter than a carmaker on its own would consider viable. Page 16

Caspian pipeline investors sought: The Caspian pipeline consortium of Russia, Kazakhstan and Oman agreed to invite outside investment for the construction of a pipeline to unlock the giant "engiz oil field. Page 2

writies' income reaches record: The ome of Britain's top charities rose to a record .98hn (\$15.26bn) in the year to June 1994, the 1996 enderson Top 2000 charities guide shows. Page 6

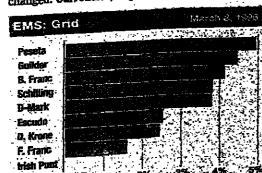


Hill wins Australian grand prix: British driver Damon Hill (above) won the Australian grand prix in Melbourne, the first of the season. His Williams Renault team-mate Jacques Villeneuve came second in his first grand prix after he suffered mechanical trouble within five laps of victory.

Liffe considers contracts change: The London International Financial Futures and Options Exchange is considering a modification of its short-term money-market contracts in preparation for European Monetary Union. Page 17

FT-SE eligibility under review: A rule which helps determine whether a company's shares are eligible for the FT-SE 100 index is to be reviewed amid concern about the recent inclusion of compavies which have relatively small amounts of shares publicly traded. Page 18

European Monetary System: This week's meeting of the Bundesbank council could prompt a further round of interest rate easing. There was no change to the order of currencies in the EMS grid last week, and the spread between them was barely changed. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the curren cies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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# Clearing bank plan to protect forex deals

By George Graham, Banking Correspondent

The world's leading international banks are preparing to set up a global clearing bank to handle the \$1,230bn of transactions that flow through the foreign exchange markets each day.

The aim is to produce an instantaneous settlement system in which a payment by one bank is immediately offset by a match-ing payment from another bank This would sharply reduce the risk of a short-circuit in the foreign exchange market which, because the sums traded are so large, could severely damage domestic financial systems.

If a global clearing bank can be established within three years, as its developers hope, its launch would coincide with the 25th anniversary of the collapse of Germany's Bankhaus Herstatt a disaster which still keeps cen-

tral bankers awake at night. When the German authorities closed Herstatt it was in the middle of more than \$620m-worth of foreign exchange trades. One leg of those trades had already been paid to Herstatt in Germany, but in New York - which is six hours behind - the other leg had not yet been paid to the bank's counterparties in the US.

Central bankers have been eager to find a way of eliminating "Herstatt risk" and avoiding a repetition of the crisis the German bank provoked in the international financial system.

The Bank for International Settlements, which brings together the central bank governors of the Group of Ten leading industrialised nations, will later this month outline its strategy for reducing settlement risk in the foreign exchange markets. But the central banks are

By Andrew Jack in Paris

Crédit Lyonnais, the banking

group owned by the French state,

is set to plunge back into the red when its full 1995 financial

results are published later this

The final figures are still being

calculated, but the loss is likely to run to several hundreds of mil-

lions of francs, on top of cumu-

lated deficits of more than

The new decline will prove an embarrassment to the group, which only last year finalised a

FFr135bn financial restructuring

with the French government designed to clear out its history

of bad lending and put an end to

its losses ahead of eventual priva-

The loss comes in spite of the fact that Crédit Lyonnais man-

aged to scrape back into profit of FFr36m for the first six months

of last year. Mr Jean Peyrele-

vade, chairman, at that time predicted "modestly positive" results

The new figures also appear to

clash with projections in its busi-

ness plan submitted to the Euro-

pean Commission in Brussels as

part of the negotiations which led

to approval of the rescue package by the competition authorities.

They showed net profits of up to

The latest results, which are

due to be published on March 21,

reflect a number of unanticipated

charges, including the reduction

for the full year.

FF-700m for 1995.

FFr21bn (\$4.15bn) in 1992-94.

Crédit Lyonnais

confounds analysts

with loss prediction

happy to support a private sector solution to the problem if one can be developed.

The clearing bank project is being developed by 17 of the world's biggest banks, including Citibank and Chase Manhattan in the US, Barclays and National Westminster in the UK, Germany's Deutsche Bank, and

They have rounded up their numbers to call themselves the Group of Twenty. Together, they handle around 30 per cent of global foreign exchange trading.

A clearing bank set up under the plan would be open to any bank that met qualifying standards. Members would have to pay money into their accounts each day, and transactions would be debited and credited throughout the day.

If one member bank defaulted during the day, losses would be shared among other members. Because volumes in the foreign

exchange market are so large, the account balances could drain considerable liquidity from domestic money markets, raising possible monetary policy concerns for central banks. For the global clearing bank to

work, it would have to be linked to national money transfer systems such as the US's Fed-Wire. But it would also need longer opening hours for national systems, so that both sides of a foreign exchange deal spanning several time zones could be completed at the same time.

The attempt to settle foreign exchange transactions in "real time" mirrors the transformation taking place in national payment systems. In the UK, for example, the clearing house automated payment system (Chaps) for large payments will switch to "real time gross settlement" in May.

past few months, which has cost

the bank dearly since more than

FFr60bn of its debt is financed at

the difficulties which have faced

much of the French banking sec-

tor over the past two years, a

time of declining business and

At the end of last month Pari-

bas, the French financial group,

reported losses of nearly FFr4bn

after taking new provisions of

FFr5.5bn against investments

and property lending activities. Other French banks and finan-

cial institutions reporting in the

next few weeks are also expected

to include some substantial new

provisions incurred by additional

write offs on their property port-

Crédit Lyonnais now has little

such property exposure, since nearly all of its loans to develop-

ers and other property invest-ments were transferred last year

into Consortium de Réalisation,

the vehicle underwritten by the

French state and charged with

selling off its non-core and non-

However, like a number of its

banking rivals, such as Banque

Nationale de Paris in the private

sector, Crédit Lyonnais is expec-

ted to show continued difficulties

from lending to the domestic

small and medium-sized business

sector, which has been affected

by the continued poor state of the

CONTENTS

performing businesses.

intensifying competitivity.

The new losses re-emphasise

high, fixed rates.

# German bank to 'correct' tax returns of 10 years

By Michael Lindemann in Bonn

Commerzbank, Germany's third largest bank, yesterday admitted that it was "correcting" tax returns covering more than a it had made false or misleading submissions to the authorities.

The allegations, which centre on the size of provisions for bad loans to Latin America during the 1980s, were made yesterday by Der Spiegel, the news maga-Der Spiegel alleged that in

1988 alone the bank had been

able to reduce its income - and hence the amount of money on which it paid taxes - by DM700m (\$476m) through adjusting the size of its provisions for bad debts. The magazine said the tax authorities had lost up to DM500m following "crafty balance sheet operations". Attacking Der Spiegel's report, Commerzbank said such Ifigures

were "misleading". The bank declined to give any alternative figures, saying only they did not amount to the "the hundreds of millions of D-Marks" referred to

It added that the bank was still in discussions with the tax authorities to clarify the matter. "We have to check all of this

very carefully," he said. However, the bank confirmed that two board members. Mr Klaus Patig and Mr Norbert Kasbeck, had written to the tax authorities warning that its tax statements since 1984 would need to be adjusted. Such preemptive filings are frequently made to the German tax authori-

ties to postpone a full court case. About 200 tax inspectors descended on the bank's offices across Germany on February 27, initially to investigate allega-tions that the bank had belped its clients avoid taxes through bourg and other investment centres. It was during these investi-gations that questions were also raised about the Latin American provisions.

Commerzbank said yesterday it had made provisions for sovereign loans to countries across southern and central America which, because they were made partly by its subsidiaries in the US and Luxembourg, had no effect on the bank's income in Germany. "Provisions were made which were not accepted by the tax authorities in that form," the bank said.

Continued on Page 16

Smiling time: Italy's Susanna Agnelli is flanked by European Commission president Jacques Santer (left) and the Irish Republic's Dick Spring during a break from a meeting of European Union foreign ministers in Palermo, Sicily, yesterday. At the back are Denmark's Niels Helveg Petersen (centre) and Theodoros Pangalos of Greece (right). Reports, Page 2

# Markets poised for volatile phase after Wall Street fall Share prices fell sharply, with By Maggie Urry and Lisa Mr Paul Mastroddi managing

Bransten in New York and Michael Prowse in Washington, and Richard Lapper in London Financial markets are expected

to open in a highly nervous mood today following sharp falls in US bond and equity prices on Friday. Trading in the US is expected to be volatile this week as inves-

tors reassess the outlook for American interest rates. Traders markets are also preparing for something of a sell-off today, with the UK markets looking particularly vulnerable. A sharp rise in payroll num-

bers and a reduction in the unemployment rate sparked a plunge in US share and bond prices on Friday. The fall in unemployment raised fears of a resurgence in the economy which could re-ignite inflation, preventing further cuts in interest rates The yield on the 30-year US

Treasury long bond rose from 6.45 per cent to 6.72 per cent, the biggest one-day move since Iraq invaded Kuwait in August 1990.

the Dow Jones Industrial Average falling 171.24 points to

Senior officials in Washington thought financial markets had over-reacted to the February jobs report. They viewed the figures as confirming other recent signs that the economy was reviving.

but not as signalling an unsustainable burst of growth. Although the data were widely en as ruling out an early cut in US short-term interest rates, officials did not see a need for policy tightening. The Fed is believed to be fairly relaxed about the inflation outlook.

In New York Mr Stephen Roach, chief economist at Morgan Stanley, the investment bank, said Friday's move had been "extreme". However, he added that a "reassessment of the basic foundations" of the bull market was now taking place.

director in the economics department at JP Morgan, said that at the start of this year the market had expected short-term interest rates to fall to around 41/2 per cent by the year's end. Now the market was looking for interest rates, at best, to stay at current levels of 514 per cent.

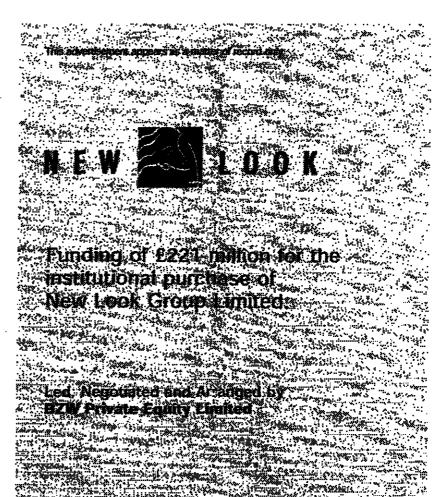
"It seems clear that there has been a fundamental basis for the market's reaction," said Mr John mon Brothers. He felt that such a big shift in economic momentum would - if confirmed - pose a challenge to inflation expecta-

Whichever view proves right in the longer term, Friday's market moves will have investors scrambling to adjust their holdings.

Mr Kevin Sluder, senior fixedincome trader at First Chicago NBD, said: "There's some significant volatility ahead of us."

One question today will be whether US mutual fund investors start selling, or if they see

Continued on Page 16



Funding of 22% halfton for the restrictional purplies of New Look Group surfaces.

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INVESTMENT BANKING. FROM A TO

Fund Mng\*VCtty People ... 21



Mrs Tansu Çiller: "We need to not many more

# Reluctant **Ciller** gives up power

By John Barham and Edward Mortimer in Ankara

Mrs Tansu Ciller, Turkey's outgoing prime minister, began a nine-month period out of power at the weekend by saying she intended to retain a strong voice in running the country's affairs.

Mrs Ciller and Mr Mesut Yilmaz, the new prime minister. have agreed to rotate the premiership as part of the coalition agreement between their two rival conservative parties.

She said: "I will sit together with Mr Yilmaz and talk about these affairs together. As far as internal and external affairs are concerned we will come up with policies together.

Mrs Ciller and Mr Yilmaz have divided government portfolios between their parties. Mrs Ciller's True Path party has nine ministries, including the foreign ministry. Mr Yilmaz's smaller Motherland party has eight, including defence and interior. Each has eight ministers of state in the 33-member cabinet.

However, they will share economic policy-making. Mrs Ciller said she planned to insist on her views: "This is a coalition government, and the larger party is my party, and what I did was a personal sacrifice. [True Path is the larger party, but Mr Yilmaz will take the premiership first.]

The party is there and the ministers I have chosen are there. I am trying to support this government because the success of the government is the success of the country. Having gone through such a hard time, with a very radical stabilisation programme I know exactly what needs to be something it's not because I want it, it's because it's a

necessity for the country."

Mrs Ciller recognised that winning parliamentary approval for reforms would be difficult, since the coalition is 15 seats short of a majority in parliament. It must rely on support from the centre-left Democratic Left party of Mr Bülent Ecevit, a former prime

"If we go along with consensus as far as parliament is concerned it will not be radical enough. We need to take a few more radical steps, not many more." Mrs Çiller said reforming the social security system was the new government's top economic priority: "Its deficit is almost as big as the budget deficit. And we have to overcome it with a minority gov-

Mr Ecevit has warned he is not committed to allow passage of any measures "which which suggests such economic reforms will indeed be difficult for the new government to push through.

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# Fury over UK-French attempt to exclude European parliament

# Move to keep MEPs out of IGC

By Lionel Barber in Palermo

Britain and France yesterday blocked a plan to invite the European parliament to take part in negotiations in the EU's coming intergovernmental conference. The Anglo-French alliance offers a foretaste of battles in the IGC and is sure to provoke an angry reaction from MEPs meeting at their plenary session in Strasbourg this week.

The two countries' opposi tion surfaced at a weekend meeting of EU foreign ministers in Palermo, Sicily, and provoked bitter criticism from ations. Two MEPs also took several member states. Mr Klaus Kinkel, German foreign minister, described the UK-French opposition as 'unacceptable". Mr Carlos Westendorp, Spanish foreign minister, said MEPs should be

offered a seat at the negotia-

ting table. "It's 13 countries

against two," he said. Most EU member states argue that the parliament has earned a role in the IGC because it is a directly elected body, as opposed to the techno-crats and civil servants who will handle most of the negotipart in last year's high-level group of experts preparing the

But Britain and, particularly, IGC concerns negotiations between sovereign national governments and that its outcome will be ratified by national parliaments. The European parliament, which was not represented in the Maastricht treaty talks, is required to give its "opinion"

A joint UK-French draft proposed that MEPs could have

contacts with representatives of EU foreign ministers every two months, and a meeting with EU foreign ministers once every six months, on the IGC negotiations. The president of the parliament could also offer views to EU heads of government on summits dealing

with the IGC. One EU diplomat in Palermo described the UK-French draft as "insulting" and predicted trouble ahead, particularly since Scandinavian countries see the parliament as a safety Valve for public opinion. The Italian presidency put

forward a compromise which favoured "regular" contacts between the parliament and the member states on the ICC. which is expected to last up to 18 months

The failure to strike a deal in Palermo means that further talks will be held at ambassa dorial level in Brussels. Mr Malcolm Rifkind, UK

foreign secretary, said be would shortly produce a paper on the pros and cons of holding referendum on the single European currency. The paper could appear as early as this

According to Elysée officials, this will stress in particular Mr

Chirac's commitment to reach-

ing Emu on time and to forg-

ing stronger European defence

by reforming his forces at home and the institutions of

But there is still wrangling

over other aspects of European policy within the main political

formations. The exception is

the UDF, the junior govern-

ment coalition partner, which is in the throes of a leadership

contest but is united on

Europe, if on nothing else. But the governing RPR Gaullists

and the opposition Socialists

are still striving for a full con-

sensus on Europe within their

rank and file for adoption by

instance, would like to see

national parliaments virtually

replace the European parlia-

ment and to see France pull

out of the Schengen pact. How-

ever, they are likely to be

brought to heel by Mr Chirac

and Mr. Alain Juppé, his prime minister and fellow Gaullist,

who know such positions are not negotiable with Bonn.

Freed from the constraints of

government, the Socialists

have swung towards demand-

ing that the EU do far more to

tackle unemployment. But the

influence of Mr Jacques Delors,

the former Commission presi-

dent, has ensured that they

have not gone as far as their

German counterparts, the

apart from being sterile and

useless, are aimed only at

When political parties in any democracy make agreements.

they do not agree on the mys-

tery of the Holy Trinity, but on

concrete programmes.

Many in the RPR, for

the end of this month.

Nato and EU abroad.



# Caspian project partners clear pipeline block

By Sander Thoenes

The Caspian Pipeline Consortium of Russia, Kazakhstan and Oman has agreed. after three years of haggling. to invite outside investment for the construction of a pipe-line to unlock the giant Tengiz oil field.

The agreement, confirmed only by representatives of Oman Oil, could pave the way for Chevron and other oil companies to join the three countries in building the 750km pipeline from Tengiz, in northwestern Kazakhstan, to the Russian Black Sea port of Novorossisk.

Chevron, which owns half of a joint venture developing the field, has estimated it could produce 700,000 barrels of crude per day and bring in \$20bn (£13bn) in investment. But lack of a reliable export route has led the company to cut daily production to 60,000 barrels and left Kazakhstan short of badly needed revenue. A new pipeline would provide an export route not just for Tengiz but also for potentially huge oil reserves under the

Mr Ed Smith, general director of the Caspian Pipeline Consortium for Oman Oil, said that Kazakhstan, Russia and Oman agreed in Moscow to reduce their stake to just over 50 per cent, with Oman reducing its share from a third to "approximately 10 per cent". Russian and Kazakh officials

declined to comment or were unreachable. Earlier reports of an agreement have proved unfounded, and both Russia and Kazakhstan have backtracked on signed agreements in the past

Mr Smith said Russia and Kazakhstan would still need to agree on their stakes, based on the assets they brought to the agreement could set the ground rules for talks with potential investors in London on Friday. Mr Smith said Agip, Arco, British Gas, Chevron, Mobil and the Russian companeft were expected to attend

ment as well as pay a transpor tariff, in return for a stake of only 25 per cent." We're encouraged by the

flexibility demonstrated by Russia, Kazakhstan and Oman in reaching agreement on a viable business structure for a workable project," said Mr Mike Libbey, a Chevron spokesman, adding that his company would attend the London meeting.

Mr Smith said Kazakhstan would probably agree to hand over more of its share than Russia, on the grounds that the Russian assets were more valuable. Kazakhstan has been loath to cut its share but has been unable to find investors for a pipeline that would evade its northern neighbour.

President Nursultan Nazarbayev of Kazakhstan announced in January that his country and Russia had agreed to cut their stakes to 25 per cent each, leaving only 5 per cent for Oman Oil. Other Kazakh officials claimed Oman Oil had lost all rights to the project because it had missed a financing deadline last fall. Chevron, Mobil, British Gas

and Agip last year submitted an alternative proposal for a consortium without Oman Oil, but some have indicated they would not object to Oman keeping a minor share. Lukoil, which last year brokered a deal between Azerbaijan and Russia for a similar pipeline, recently claimed success in lobbying for a share in the Tengiz project Mr Smith said Lukoil's Exped ted share would supplement not replace, the Russian gov

ernment stake. To obtain bank financing, most experts agree, new mem bers of a consortium would still need more solid Russian guarantees, both on legal rights to the assets provided by the Russian government and on the volume of Russian oil

the initial stages of the project.
Many oil experts had presumed that Russia had made its co-operation contingent on political concessions from Kazakhstan, for instance on the disputed status of the Caspian Sea. But Moscow also stands to gain from transport fees and from the first phase of construction, which would clear a bottleneck in the Russian pipeline network near Novorossisk.

# French set to air some grievances

By David Buchan in Paris

The French government will set out its general position regarding the forthcoming European intergovernmental conference (IGC) in a declaration to the National Assembly on Wednesday that will probably stir less controversy than the debate itself.

Many deputies, particularly within the governing centre-right coalition, may want to use the occasion to air a series of Euro-grievances. These include the perceived damage to France of "competitive devaluations" by some of its neighbours, and the difficulty posed by what it considers to be lax Dutch drugs policy in removing controls on borders within the Schengen conven-

These may seem secondary issues to the overall French goals of keeping economic and monetary union on track and of reforming Brussels institutions so they can play a more effective foreign and security policy role. But the government was pushed by the assembly last month into proposing tougher action against countries remaining outside Emu which abuse their exchange rate freedom.

tion.

The main French political parties - or at least their leaders - broadly agree on the need to take more decisions on regular EU business by majority, to boost the power of the Council of Ministers in which bigger states like France should have a more weighty Socialist leaders believe aggressive unemployment measures are the key to public acceptance of Emu

Socialist leaders yesterday urged the European Union to adopt aggressive measures to fight unemployment as the only way to gain public acceptance of a single currency, writes Peter

European socialist and social democratic party leaders meeting in Sintra, Portugal, called for practical steps to create jobs to be written into the EU treaty when it was revised

at this year's intergovernmental conference.
"The goal of full employment should be anchored explicitly in the treaty... and a supervision system for the employment policy of member states should be considered," Mr Franz Vranitzky, the Austrian chancellor, said in a report adopted by the group.

Mr Rudolf Scharping of Germany's opposition Social Democratic party (SPD) said socialist leaders strongly opposed any turning away from the established timetable and economic convergence criteria for European monetary union. Emu was essential to Europe's econor competitiveness and further integration, he said. But it would not win the public support vital to success without "aggressive efforts" to lower unemployment, particularly among the young, and provide more job training Setting up a European Employment Union

minimum social standards is one of the main suggestions of Mr Vranitzky's report on how to deal with the impact of Emu on employment and social policy. Proposals to reduce bureaucratic obstacles to

(EEU) that sets employment targets and

businesses and create jobs by deregulation should be resolutely rejected, he says, because they would lower social standards and damage the environment.

The main task of an EEU, an idea that originates with Mr Allan Larsson, a Swedish social democrat, would be to fix employment goals compatible with public debt levels. It would also seek to improve productivity to resist inflationary pressures and enable uniform social standards to be met.

National and regional programmes would be developed on the basis of employment targets and would be financed by allocating more money to the European Social Fund. Member states not joining the EEU would be not be eligible for ESF funds. To help create jobs, more should be spent on the environment, research and development, education and trans European infrastructure networks, Mr Vranitzky says. But funds should be raised by reshuffling not increasing the EU budget.

vote, to reduce the number of Helmut Kohl, who has not endorsed the Euro-federalist commissioners in a European Commission which should proposals of some in his party. focus more on executing than Indeed, the relative ease with

on making policy, and to streamline EU foreign policy which France and Germany have arrived at a joint position has somewhat blunted the call and add a defence dimension to by Mr Edouard Balladur, the ex-prime minister, for a new Much of this Gaullist-tinged pact between Paris and Bonn. In the absence of serious consensus rests also on the accommodation reached last year between President Jacstrains between France and ques Chirac and Chancellor Germany, their existing 1963

Elysée treaty still seems ade-

Therefore, Mr Chirac and his government go into the IGC in Turin with their parliamentary rear and their flank across the Rhine relatively well safeguarded. In this comfortable position, the president is said to be planning nothing more in the run-up to the opening on March 29 than penning a major article in the French press.

Social Democrat party, in making this a precondition for going ahead with Emu.

# EUROPEAN PRESS REVIEW

# Decisive poll proves most indecisive

On a bright morning a week ago, Spaniards awoke to find a distinct whiff of Mediterranean politics had wafted in on the breeze. General elections, which the combative daily El Mundo had confidently billed as "the most decisive in 20 years of democracy", turned out to be the most indecisive.

It was an upside-down kind of election. The centre-right Popular party won, but looked stunned after securing fewer seats than previous winning parties. The Communist-led United Left also gained, but was down in the dumps, The Socialists were defeated, for the first time since 1979, but were laughing. And the Cata-lan nationalists of Convergencia i Unió lost ground but, with all of 16 MPs, were now able to

call the shots. The week's initial rounds of inter-party conversations brought Spain no closer to a new government, with a reluctant suitor - the PP - courting an even more reluctant Catalan partner.

Editorialists pondered the risk of slipping into Italian-style politics. Newspapers as far apart as El Pais, broadly sympathetic to the outgoing Socialist administration, and the strongly conservative ABC both said it would be "a collective failure" if there had to be another election.

tain political leaders, could omy," El País cautioned. The financial newspaper Cinco Dias described the result as "a sad victory" for the PP leader, Mr José María Aznar. "Unfortunately, the election results are not an invitation to consumers and investors to mobilise," it said. The Spanish economy, it

revealing the cleverness of cer-

reckoned, was ready to embark on a more ambitious growth phase. "All that it needs is that the politicians should not become an impediment." El Mundo, which had set its heart on finishing off Mr Felipe González, prime minister for

the past 13 years, saw the main message of the elections as the defeat of felipismo - "a wel-come historic event". But it was also critical of Mr Aznar. complaining of his "worrying lack of sensitivity" towards Catalan and Basque national-

"He must recognise openly that he made a mistake in Catalonia... It is as elemental as that: you cannot engage in politics in Catalonia against the immense majority of Catalans," it said. Mr Aznar had to show he was as centrist as he claimed. "Either he will have to govern from the centre, or not govern."

El Pais deplored the lack of a consensus culture in Spanish politics. "The sectarianism and aggression that have become part of political life, especially in the past three or four years, "Prolonging the current pro-visional situation, apart from reality of Spanish society."

# **EL PAIS**

"Prolonging the current provisional situation, apart from revealing the cleverness of certain political leaders, could bode ill for the Spanish economy"

Aznar warns on single currency Spain would write-off its chances of qualifying as a founder-member of the European single currency if it were

forced to hold another general election this year. Mr José Maria Aznar, leader of the centre-right Popular party, said yesterday, David White writes from Madrid. Mr Aznar, who is trying to negotiate support for a PP government after his party's narrow election win last week, said in an interview with the daily newspaper ABC that new elections would "totally and definitively" rule out prospects of

extremely serious for Spain and would mean missing the

In a later editorial. El Pais pointed out that it would be technically possible to form a government without the PP. Equally, if Mr Aznar lost his investiture vote next month. the king could nominate another PP candidate, or an

independent. "An unthinkable folly," retorted ABC. King Juan Carlos had too much "prudence and good sense". Mr Aznar, it insisted, was the only ments," it said. However, the Barcelona daily *El Periódico de Catalunya* said grassroots Convergência supporters were "unanimously and radically opposed to an

agreement with Aznar". It summed up the dilemma of the negotiations: "This is a process which has to be gradual but which must be done in as little time as possible." The Catalan-language daily meeting the European Union convergence criteria. "It would be , Maastricht train and the opportunity of placing the Spanish economy in a process of growth, reform and job-creation."

Avia doubted if a pact could be reached in time. "It is not possible to improvise a regional policy radically different to the one proposed in [the PP's] own programme in a few days. Other regions with PP governments, it said, were opposed to granting special concessions to Catalonia, and the PP was allied to "viscerally anti-Catalan" parties in Aragon and Val-

absurdity". It dismisses as encia.
"ridiculous" their insistence. "Between
that the PP should recognise there debat Between now and the inves-titure debate, there can be no miracles." The only option was for Mr Aznar to seek co-opera-tion, or non-belligerance from

It called for a fully fledged coalition with regionalist parnies Lukoil, Transneft and Rosties, based on a more federal state. "The hallot-box has cre-Since the consortium was ated an historic opportunity to founded in 1992, Chevron has complete something that was refused to join on the grounds unfinished and to do away that Oman Oil wanted it to with secular fears and resent-

provide the bulk of the invest-German spending cap fears resurface

By Michael Lindernann in Bonn Forecasts that the German budget deficit this year - predicted at DM60hn (£27hn) would in fact be DM20bn istry. That spending cap, howhigher have prompted fears ever, ran out on December 31. that Mr Theo Waigel the finance minister, will have to announce a cap on government

spending because of lower tax

revenues.

Press reports suggested the spending restrictions would only be introduced after three state elections had taken place on March 24, the next impor-tant date in Germany's political calendar. However, the finance ministry insisted no finance ministry insisted no . However, the finance minis-decision had been taken and try said it expected tax revethat a final decision had "nothing to do with the elections."

Fears about lower tax requires caused Mr Waigel to demand last October that all government expenditure over DM1m be cleared with his min-

According to weekend press reports both Ms Ingrid Matthaus Maier, the Social Democrat's budget spokeswoman, and an unnamed member of the governing Christian Democrat coalition warned that this year's budget deficit would be DM30bn higher than expected because of lower tax revenues and the higher costs of rising

unemployment nues to be DM6bn lower than

# Lady Thatcher unleashes Star Wars broadside in US

possible candidate for prime

minister, and was condemned

to reaching an understanding

with the Catalan party.
But for Diario 16, the Cata-

lans' conditions for backing Mr

Aznar "border on childish

Catalonia as a "nation" rather

emn declarations of principle;

then a region. hen a region.
"All these demands for sol-

By Bruce Clark.

Lady Thatcher, the former British prime minister, has plunged into an intensely partisan US debate by calling for a new version of Star Wars to ward off the threat from rogue states with nuclear, chemical or biological

Weapons. In a speech at the weekend in Fulton, Missouri - where Winston Churchill warned 50 years ago of an "iron curtain" descending on Europe - she berated the west for failing to prepare for a new threat from

weapons of mass destruction. The lecture's timing and location were clearly intended to create the impression of an appeal to history that rose above daily politics. But her chosen theme was one of the touchstone issues in Washington's ideological debate.

The speech placed her in the camp of the conservative Republicans who are pressing President Bill Clinton to renounce the anti-ballistic missile (ABM) treaty of 1972 and invest

heavily in a nuclear shield. The issue provides one of the sharpest dividing lines in the US for-

eign policy debate. Preserving the ABM treaty has been central to Mr. Clinton's policy of co-operating with Russia over core arms-control issues, even at times when relations between the two countries are under

Lady Thatcher threw her weight behind Senator Jesse Helms and other conservatives who argue that the ABM treaty is a cold-war relic with no relevance to an age when up to 20 countries have, or will soon acquire, long-range missiles.

"Acquiring an effective global

is.... a matter of the greatest importance," she said, adding that "co-ordinating the contribution of Amer-ica's allies" to such a system could provide a new mission for a rejuyenated, enlarged Nato For Washington's political right, the speech was a boost for their

attempts to demonstrate that Mr Clinton's handling of pariah states has been soft. "Lady Thatcher is on target," said

Mr Joshua Muravchik, a conservative foreign affairs analyst. "If we are going to allow irresponsible defence against ballistic missiles states like North Korea to keep their a nuclear shield sounds like isola-

But her vision of an expanded Nato, renewing itself through a new Star Wars programme, will, not meet with universal approval among

strategists, even conservatives, on either side of the Atlantic. In the past, US plans to build a ment to protecting western Europe. used in the past, US plans to build a ment to protecting western Europe. US opponents of Nato enlargement peans, who feared that their territory would be left unprotected - and US defence contractors would be the principal beneficiaries.

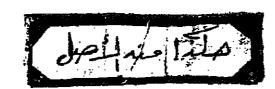
"To European defence ministries,

arsenals, it's essential that we have tionism or American techno-lunacy, defences against them:"

said Mr Dan Plesch, director o said Mr Dan Plesch, director of Basic a leftwing think-tank

In the US, meanwhile, part of the

conservative constituency which favours and missile defences has become scapical about maintaining. let alone extending, the US commit-US opponents of Nato enlargement range from isolationists such as Mr Pat Buchanan, the Republican presidential candidate, to veteran arms control experts like Mr Fred Ikle who argue that alienating Russia is too high a price to pay.



N MA

The EU yesterday appealed to Israel to allow food, humanitarian and construction aid to flow to Palestinians in Gaza, in an attempt to shore up President Yassir Arafat.
They tempered their plea

with support for Mr Shimon Peres, Israeli prime minister, and approved a joint approach to Iran and Libya to end their support for terrorism.

At a weekend meeting in Pal-

ermo, Sicily, EU foreign ministers rejected US and Israeli pressure to break off "critical dialogue" with Iran. The Tehran regime, suspected of financing and organising terrorism, has offered moral support to the suicide bombers in Israel. A joint statement underlined the EU's determination to bolster its diplomatic engagement in the Middle East prior to the anti-terrorism summit in Egypt

on Wednesday.
The Union's declaration studiously even-handed - said safeguarding the security of Israeli and Palestinian popula-tions was a "fundamental element" in carrying out the peace process, which had to be

made "irreversible". While urging President Arafat to take every step to arrest those responsible for terrorism, the statement added: "We recognise the hardship imposed on the Palestinian population resulting from the closure by Israel for security reasons of all land and sea borders with Gaza and the West

"We therefore call on Israel to allow humanitarian assistance and materials for the internationally financed reconstruction programmes to go through, under appropriate security safeguards, but without undue delay."

Diplomats said the EU was determined not to isolate Mr Arafat, under pressure from the Israeli government to clamp down on the militant

The EU is giving Ecu90m peace process.

Mr Süleyman Demirel, Turkey's president, arrives in Israel today for a four-day tour, which is expected to focus on issues such as the Middle East peace process and terrorism, John Barham reports from Ankara. Turkey has become one of Israel's closest allies in the Middle

Mr Demirel is expected to sign a free trade agreement with Israel, eliminating import barriers on almost all bilateral trade. A four-year transition period will protect certain "sensitive" sectors, particularly Israel's textile

industry. Turkey is also expected to conclude a \$650m (£422m) contract with Israel Aircraft industries soon, to upgrade 54 Turkish Air Force Phantom F-4 fighter bombers.

(\$112.5m) to the Palestinian territories in 1996, almost half the international aid effort and triple the US contribution. But despite efforts to make the Middle East a showcase for its fledgling common foreign and security policy, the Union's initial reaction to the suicide bombings last week was convo-

Mrs Susanna Agnelli, Italian foreign minister who chaired the talks, made little effort to hide her frustration over French suggestions that a weak Italian presidency had forced Mr Hervé de Charette, French foreign minister, and Mr Klaus Kinkel, his German counterpart, to fly to Israel in the wake of her own visit.

The EU's anti-terrorism approach to Iran and Libya will be handled by senior officials from Spain, Italy and Ireland, which form the so-called troika of past, present

get list as well, but several countries and the European Commission objected that Damascus was a party to the

Julian Ozanne speaks to commuters using a route hit by bombers on consecutive Sundays

blown apart by Islamist suicide bombers during the morning rush hour, killing 44 people. Yesterday, as passengers boarded the 6.47am No 18 service, there was a palpable sense of fear.
"They have made us so

afraid to do the thing that normal people everywhere do without thinking - take a morning bus to work," said Ms Sarit Aldema, a 20-year-old student who trembled as the bus passed near the Old City. This is the stop where police believe the Palestinian suicide bombers boarded the buses attacked. "When you wake up, you think maybe it's better to leave a little later. As you leave the house you think, Shall I take

this bus, or maybe wait for the

next one? - which one will be

more lucky? The worse thing is

that it makes you afraid of every Arab you see. Maybe he will be the one coming to kill Ms Aldema said that since the first bus bombing on February 25 she had avoided taking the bus and instead used taxis. "But this isn't an

answer. We must trust the security forces otherwise we will live in fear forever." Yesterday's fear was exacerbated by a Hamas threat to

cancel its offer of a four-month

n two consecutive Sun-days Jerusalem's Num-ber 18 bus has been ceasefire and to carry out more bombings. Bus drivers said many of the No 18s were nearly empty. All along the route soldiers patrolled the bus stops, questioning morning commuters, searching bags and boarding the bus to check the litter bin.

Tense passengers scrutinised everybody who got on the vehicles. At the Old City, several Arabs were splayed out against a corrugated iron fence being frisked by police in bul-let-proof jackets.

The bombings of the No 18 buses have had a devastating effect on the Katamon neighbourhood, the first community on the route to central Jerusalem. Many of the bombing victims lived in Katamon. "I take the No 18 every morning," said Ms Gluskin

who arrived from Russia five years ago and works at the Yad Vashem holocaust museum. "I used to see the same faces on the bus everyday and now, suddenly, they are not here anymore. There is a very big pain of loss in my

Tatianya, a Katamon resident

"Look around, everybody is afraid. Nobody knows what will happen. Only God knows." Eight of the victims of the first bombing lived in Katamon: three were from the same school. Many of the Katamon

Show of force: An Israeli soldier boards a near-empty No 18 bus in Jerusalem yesterday

told how they had narrowly avoided taking one of the doomed vehicles on the two previous Sundays.

Those who narrowly escaped death drew deeply on their Jewish faith.

Mr Avraham Cohen took the No 18 every day from Katamon on his way to work at the Motza winery on the outskirts of Jerusalem. On the first Sunday he got off the bus seconds before it blew up. On the second Sunday he was seriously wounded. "Apparently some-body is watching over Avraham," his brother Salim told an Israeli newspaper. "In one week his life was

given to him as a gift twice. This time, after he heals, God willing, we will take him to synagogue to say the rescue prayer." The gome! (rescue) prayer is a traditional Jewish blessing for those who have miraculously passed through a life-threatening experience.

Among the bravest people on the No 18 route are the drivers of the Egged bus company who have consistently turned up for

where the No 18 originates, has been nicknamed the "cursed station". Five buses from the Gonen station have been attacked since 1967. Last week Mr Shmuel Halifa, Egged's Jerusalem director, said: "The drivers feel like they are in the middle of a game of Russian roulette." A psychologist has

been hired to counsel them. Many of the drivers wrap themselves in tefillin - leather straps and small boxes containing Hebrew texts worn by Jews during prayer - and say

work. "In these times belief is our weapon," said one driver. Their wives also suffer. "My wife was very worried this morning," said Mr Benny Benjamin, the driver of yesterday's 6.47am bus. "She said I must look left and right and look at everyone who gets on my bus as a potential terrorist. It's really tense on the buses, but especially on this No 18. It reminds me of the Lebanon

The grief and mourning in Israel last week cast a shadow over Purim, the Jewish festival when children dress up in masks and costumes.

Many children were over-whelmed and confused by the atrocities. But Vladik Koshnirov, 8, who lost his parents in the first attack on bus No 18. provided a remarkable glimmer of hope.

After the second bombing he described how he had gone to bed and imagined he was talking with his dead parents. "I told them a horrible tragedy happened, and that many people are crying. I told my mother I am afraid, because every Sunday they blow up a bus in Israel and I am worried.

"I want to dress up as a Hamas man, to penetrate into the Gaza Strip and find the Hamas leader there. I want to plead with him 'enough murder, don't kill any more Jews,

# Election boost for Rafsanjani

By Robin Allen in Dubal

Iranian President Ali Akbar Hashemi Rafsanjani's chances of accelerating economic reform appeared to have improved at the weekend following gains made by reformist candidates in the first round of parliamentary elections, held on Friday. Early results issued yester-

day suggested the reformist centre-right faction, the Serand future EU presidencies. Syria was initially on the tarvants of Construction (also known as G16), had made gains at the expense of conservatives, represented by a group known as the Assembly of Combatant Clergy. This group had held a majority of

150-160 seats in the former parliament.

More than 32m people were entitled to vote in the race for 270 parliamentary seats. Political commentators suggested about 60 per cent voted. Economic issues dominated

the elections. Public criticism had focused on soaring inflation, officially put at 54 per cent, and a stagnant economy. The business community, in particular, is critical of the government's top-heavy role in the economy. By yesterday evening, the

G16 was claiming it had won more than 65 of the 140 seats where results were known. Commentators in Tehran were

unsure, however, how many of This is due on April 20. these were outright wins. Traditional conservatives had won 35 seats outright, 53 had lost their seats, and 21 have to contest a second round.

The only outright winner in Tehran, which returns 30 members to parliament, was President Rafsanjani's daughter, Faezeh Hashemi, who, like her father, is a strong supporter of economic adjustment and liberalisation. She was standing on the G16 list.

Observers said that her success, and that of the first outright declared winner in Isfahan, also a woman on the G16 ticket, could encourage many women to vote in the run-off.

Mr Bijan Khajehpour, man-aging director of Tehran-based Atieh Bahar Management Consultancy, suggested the moderates might ultimately emerge with enough seats, possibly 100, to form a loose coalition with independents, represented by provincial businessmen and other individuals well known in their communi-

This might be enough to give Mr Rafsanjani the authority he needs to push ahead with reforms, and to ensure that his successor in presidential elections in August next year continues with his poli-

# **UN** team searches **Baghdad** building

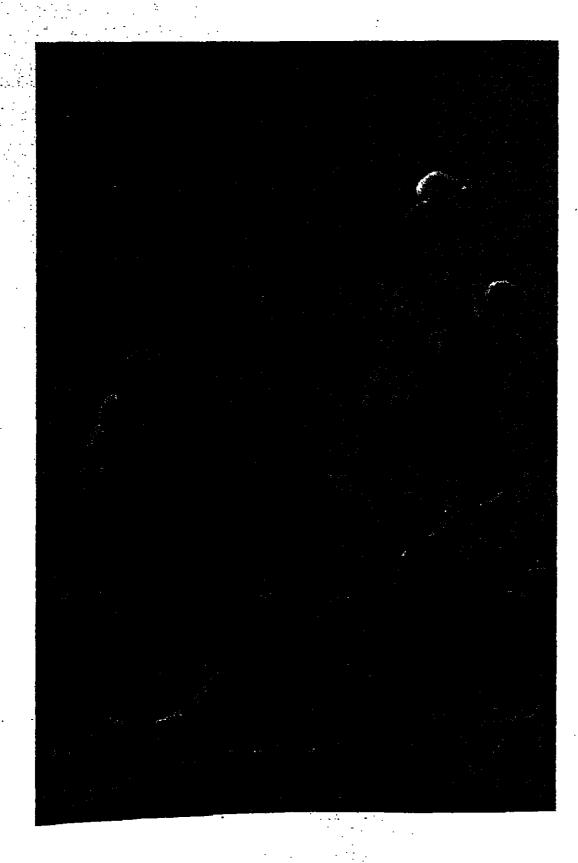
United Nations arms experts found no prohibited documents or materials in a Baghdad government building searched over the weekend, Reuter reports from Baghdad.

The UN special commission disarming Iraq searched the building housing the irrigation ministry, where they suspected Iraq had hidden documents related to its banned weapons. About 40 international arms experts were refused access when they tried to enter on

Baghdad later allowed them in after a claim from the Security Council that Iraqi obstruction constituted a violation of ceasefire terms that ended the 1991 Gulf war over Kuwait.

The building was previously occupied by the FAO establishment, one of Iraq's largest state-owned companies, which spearheaded the country's post-Gulf war reconstruction

Under the ceasefire Iraq has to rid itself of missiles with ranges beyond 150km, along with the means to produce them. This is a precondition for the lifting of UN sanctions.



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INTERNATIONAL NEWS DIGEST

# China reforms to cost £39bn

Reforms of China's loss making state enterprises, including the shedding of millions of surplus workers, would cost some Yn500bn (£39bn) during the next five years, according to the State Statistics Bureau. This is the first time China has put a figure on reforming the debt-burdened state sector and reflects the magnitude of the task facing Chinese policmakers.

The statistics bureau forecast reforms would mean shedding 8m jobs at a cost to the state of Yn160bn. The cuts would represent about 10 per cent of China's state-employed industrial workers. China would also earmark Yn280bn to strengthen the balance sheets of loss-making companies. These funds would go to 1,000 key enterprises singled out for special assistance. This will involve providing help, including debt forgiveness, low-interest loans and technical assistance, for enterprises deemed critical to the national interest, while allowing the rest to fend for themselves.

China has indicated that it will encourage mergers. acquisitions, privatisation or bankruptcy for enterprises that cannot make their way. The statistics bureau report said Yn85bn would be set aside to off-set bad debts of state-run firms to be declared bankrupt. Tony Walker, Beijing

# GE and RR plan aircraft link

General Electric of the US and Rolls-Royce of the UE are putting the finishing touches to arrangements that will see them working together to design and produce a new generation of engines for US military combat aircraft.
This would be the first substantial link between the two
groups since their civil engines alliance ended in 1987 amid

recriminations on both sides. The two have been brought together again by Rolls'

acquisition for £300m last year of Allison, a US engine producer that already had joined GE to develop engines for the US's Joint Attack Strike Technology (Jast) programme. Rolls said yesterday it was "looking to formalise our relationship in the team lead by GE". An official said this could be "quite important" for Rolls, but only in the long term, because the new US combat aircraft were not expected to be

flying until about 2005. The GE team is competing with another US group, Pratt & Whitney, for Jast orders. They are to develop two engines, one a vertical take-off power plant. Rolls claims to be the only aircraft engine maker with experience of designing and Kenneth Gooding, London producing such power plants.

# Call for new Bangladesh polls

Bangladesh's main opposition leader yesterday urged the country's president to form an interim government and supervise fresh elections to end the country's two-year-old political deadlock. But Sheikh Hasina, head of the Awami League, said her party and two others would resume their "non-co-operation" campaign of strikes and protests within 24 hours unless Mrs Khaleda Zia, the prime minister, resigned and annulled last month's boycotted poll. "We will call off all protests as soon as the caretaker administration takes

More than 70 people have been killed and over 1,000 injured in violent clashes since the February 15 election returned Mrs Zia's Bangladesh Nationalist party to power essentially unopposed. Clashes continued yesterday as President Abdur Rahman Biswas met Sheikh Hasina and other opposition leaders - at Mrs Zia's suggestion - for talks on the conflict. Mrs Zia has acceded to opposition calls that a neutral interim government hold fresh elections, but insisted this must be accepted by the new parliament. Sheikh Hasina says the opposition does not recognise the parliament and called an indefinite stoppage. Mark Nicholson, South Asia Correspondent

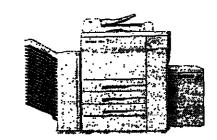
# Japan to cut drug prices

Japan is to cut official drug prices used to reimburse medical

The cut, announced on Friday, comprises a 6.8 per cent general price reduction and an average 1.7 per cent additional cut for drugs which have posted unexpectedly high sales. The move is part of the government's effort to reduce the mounting health care bill borne by the state. Drug spending accounts for 30 per cent of Japan's Y27,500bn (£170bn) overall annual medical costs. The price cuts are aimed at reducing the Y1,200bn in profits made by medical institutions which buy the drugs from wholesalers and pharmaceutical companies at discounts and are reimbursed by the state at official prices.

Companies whose drugs have been targets of special price reductions include Ono Pharmaceutical, a company based in Osaka, which faces a 25 per cent price cut in Kinedak, a diabetic neuropathy drug which accounts for 24 per cent of its Emiko Terazono, Tokyo

> The Sharp SF-2050 copier. Think of it as a Porsche 911 for accountants.



The SF-2050, it's fast and sleek. And at a price information rall 0800 SHARP 262 958, quoting CFT 04. INTELLIGENT THINKING

# Cubans' nostalgia powers Florida politics

Patti Waldmeir meets exiles who are a voting force to reckon with in Miami's primaries

homesick for Cuba. He was not born there, has never lived there and visited Havana briefly only once, But for all of his 34 years, Mr Duran, who publishes a Spanish-language newspaper for second-generation Cuban exiles, has felt what he calls "a profound nostalgia for Cuba". That nostalgia is a potent force in the politics of Florida, which votes tomorrow along with six other states in the "Super Tuesday" presidential

primaries. It is also a sentiment which has made Cuban-Americans one of the most solidly Republican ethnic voting blocs in the nation, a group with enormous rightwing clout and influence over US policy towards Cuba.

But it is also a sentiment which has sent men to their deaths: Carlos Costa and Mario de la Pēna, two of the pilots shot down by Cuban fighter jets two weeks ago, were also born and bred in America. They were exiles, like the 700,000 other Cuban-Americans in south Florida - but from a country they never knew.

For 37 years, Cubans have fled to Miami, political or economic refugees from Fidel Castro's communism. Now they have achieved critical Cuban-Americans

Duran is control municipal government - sometimes winning a reputation for strong-arm tactics - and dominate the city's culture. The psychology, the pace, the language and the body language of Miami are all Cuban. Spanish is spoken everywhere in the streets, and not just by those who sweep

> Miami is a powerfully insular ethnic enclave, where one can be delivered by a Cuban obstetrician, buried by a Cuban undertaker, and live the life between in a Cuban

> Unlike earlier immigrant communities. Cuban-Americans have fought assimilation. They came to America not to make a new life, but to wait for the restoration of the old one.

Even after 37 years - years which have been good to the exiles, some of whom have become millionaires in Miami America is still not home. Whether in working-class Hialeah, with its faded pastel bungalows and fenced untidy yards, or in upmarket Coral Gables, with its blend of American opulence and Spanish charm, the anger

Time has not mellowed their fury; each new wave of wretched indigents arriving on rafts, each new visit from

penniless relatives, has fuelled

Last month's loss of two unarmed Cessnas - flown by Brothers to the Rescue, an exile group which rescues fleeing refugees from the waters off Cuba but has also dropped political leaflets over Havana – has given old ssions a new focus. Cuban-Americans nurture

exile like a wound which they continually re-open. The expropriation of the petrol station or the grocery store, the cattle ranch or the sugar estate - is compounded by nostalgia for 1950s Havana, where tribal memory says the breeze was cooler and the palms greener than in Miami. But the real wound, even for those who left Cuba as small children or were born in Miami, is the loss not of a

country but of a homeland. Otto de Cordoba is a successful Cuban-American overlooking a sparkling ocean: he left Cuha when he was four. remembers nothing about it, but still speaks with a slight Cuban accent and holds what he calls a "personal grudge" against Castro. "He took away my patrimony."

Mr de Cordoba would like to sue to recover expropriated family property, but even



Presidential candidate Steve Forbes, campaigning in Miami.

under the harsh legislation passed last week by Congress, this would be difficult, as it retrospective provisions. But most of all, he country," says Mr de Cordoba.

would like his homeland back He loves America, but his feeling for Cuba is deeper still.

"I would fight and die for this

That statement masks a crisis of identity felt by Cuban-Americans. Many say they do not even know where they wish to be buried; one Miami banker spoke for many when she said she wanted her ashes strewn in the Florida Strait between the two

countries. But Cuban-Americans will not always have the hixnry to avoid such choices. "People are waiting with a mixture of expectation and dread for the day Fidel falls," says Mr. de Cordoba's brother, José. Then they will have to look in the mirror and say, 'what am I?" -and decide whether to return

Surveys conducted by Florida International University show that only 20 per cent of exiles plan to do so. Prof Lisandro Perez, an expert on the exile phenomenon, says returning is not the point. "The goal of the exile community is to triumph over Castro, not necessarily to

Most Miami Cubans dream of a day when they can make the island a second home; they talk of holding breakfast meetings in Havana - but returning to sleep in Miami.
True to their entrepreneurial souls, all dream of the business opportunities in a capitalist Cuba. But everyone worries that the past they yearn for will turn out to be a foreign

# Chinese media keep up pressure against Taiwan

By Tony Walker in Beijing

China yesterday added weight to its campaign against Taiwan with a hard-bitting newspaper commentary warning that Beijing would not hesitate to take military action to stop Taiwan-ese independence moves.

China also expelled five Taiwanese and Hong Kong journalists yesterday, accusing them of being near a southeastern coastal area where the People's Liberation Army is holding military exercises.

We will do everything to safeguard the motherland's unity. We mean what we say," said the commentary, published simultaneously in the People's Daily, the Communist party newspaper, and Libera-

tion Army Daily. The joint editorial also said that Taiwan's drive to boost its international profile "will bring grave disaster to the 21m Taiwan compatriots, something we do not wish to hap-

The People's Daily commentary warned that the "true danger" to regional security lay in efforts by Taiwan's President Lee Teng-hui to promote "his independence policy" and "sabotage the motherland's reunification".

Three Hong Kong women authorities.

reporters, whose names and news organisations were not given, were expelled by China's Public Security Bureau officials in south-eastern Fujian province for violating the state security law, the official news agency Xinhua

China earlier released from detention and deported two Taiwan television journalists accused of gathering military secrets in Fujian province.

reported.

The three from Hong Kong had been detained on Friday for conducting illegal interviews in an area where the PLA was holding exercises, Xinhua said. The PLA began missile tests

on Friday, firing three M-9s into the sea near Taiwan. The Hong Kong journalists had flown to the provincial capital of Fuzhou last Wednesday, and admitted entering the exercise area to obtain information about the war games, Xinhua

The agency said they had confessed to stealing military secrets and had illegally videotaped part of a military exercise. Journalists are not allowed to report anywhere in China without obtaining permission in advance from local

# Jargon befuddles US closure simplification made more than

By Lisa Bransten in New York

When Boston Beer offered shares directly to consumers last year through coupons in its six-packs, it knew it had to make the offering documents simple enough for the average beer drinker to understand. But by the time the lawyers finished filling the prospectus with legal jargon to fend off potential lawsuits, some of the most salient information was either hard to find or difficult to understand. So to help consumers, the company included a question and answer section to explain the offering in plain English.

"It was our way to deal with the com-plexity of the offering," says Mr Alex Gregory, one of the investment bankers on the deal and now in Boston Beer's investors relations department.

Now the Securities and Exchange Com-mission, which oversees the selling and trading of securities in the US, would like to see all prospectuses made simpler for investors to understand. A report issued last week by the SEC's task force on dis-

100 recommendations to clarify disclosure materials it said were often "turgid, opaque and unreadable".

Among the recommendations were a simple question-and-answer section at the front of the document and the elimination of most legal warnings from the front

one reason for the often complex and over-inclusive documents is a US legal climate in which investors often sue investment banks if shares do not hold their value after an offering.

Mr Kevin Cramer, a corporate lawyer at Jones Day in Washington, agrees there is a problem with clarity, and acknowledges his prospectuses are not always as concise as they could be.

As an example, be says he often insists that clients include the following paragraph in offering documents: "There can be no assurance that the market price of the Common Stock after the offering will equal or exceed the initial offering price. Factors such as quarterly fluctuations in

the financial results of the Company, announcements of new products . . . by the company or its competitors, and general conditions in the Company's industry, its customers' industries or the financial markets could cause the price of the Common Stock to fluctuate substantially."
He asks: "What are we saying? That

prices will go up and down." But if the each reason for share price fluctuation were eliminated investors could claim the company was not specific enough in its warnings. "The problem is how do you protect your clients ... in words that won't give rise to liability?" he says.

One hope is the securities litigation reform act passed at the end of last year in hopes of shielding companies and underwriters from "meritless lawsuits".

But the legal community does not yet have any experience of how much protection the new law will actually offer. Until then, Mr Cramer says he will continue to try to protect his clients, even if it comes at the expense of writing understandable

Colony's growth would be hit if US withdrew Beijing's MFN status

# warning on Chinese trade

By John Ridding in Hong Kong

Hong Kong's economic growth rate would fall sharply if China lost its Most Favoured Nation trading status in the US. the Hong Kong government warned at the weekend.

Miss Denise Yue, secretary for trade and industry, yesterday left for Washington with the message that growth in Hong Kong's gross domestic product could be cut by 2 to 3 percentage points if China's MFN status was revoked. That compares with a trend for the annual growth rate of about 5

per cent.
The warning comes amid concerns in Hong Kong about trade relations between China and the US. It reflects Hong Kong's role as a processing port for mainland exports and as a regional hub for trade and related services.

Private economists said it was difficult to estimate the impact on trade flows of China's MFN status. But they agreed that the economic integration between Hong Kong

The US is concerned that

France, Spain, Portugal and Belgium still limit foreign

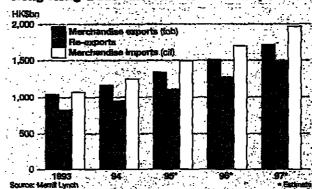
investment in their telecom-

to negotiate on the restric-

tions. However, he was uncer-

munications industries.

Hong Kong trade: the outlook for re-exports



Kong's role as a trading hub, left it exposed to the MFN

"MFN renewal is a crucial element in the continued economic development of Hong Kong, particularly at this criti-cal phase of the transition," said Miss Yue, referring to the colony's transfer from British to Chinese sovereignty in July next year.

Trade disputes, including a

and the mainland, and Hong clash over the protection of intellectual property rights, have strained relations between China and the US. Human rights issues in China have also clouded prospects for

the renewal of its MFN status. "We shall argue strongly that the MFN issue should not be linked with non-trade issues," said Miss Yue. She accepted, however, that the situation had become more complex this year as a result of rise by more than 10 per cent.

presidential and congressional elections.

According to Hong Kong government estimates, the revocation of China's MFN status could prompt a reduction of between 31 per cent and 45 per cent in re-exports from China to the US. That is equivalent to between HK\$66bn (£5.6bn) and HK\$96bn worth of shipments.

Together with other related trade flows, the government warned that the withdrawal of MFN status could lead to a reduction of 6-8 per cent in Hong Kong's overall trade, equivalent to between HK\$161bn and HK\$234bn. "There would be a further loss if China cut back on its imports from the US as a

result," said Miss Yue.
Hong Kong's budget for
1996-1997, unveiled last week, forecast real GDP growth of 5 per cent this year. Mr Donald Tsang, financial secretary, said much of the expected trade growth would come from re-exports, which are expected to

# Brittan challenges Asia to speed opening of telecoms markets

By Guy de Jonquières

The European Union will today challenge Asian govern-ments to show their commitment to their emerging political dialogue with Europe by pledging to open their telecom-munications markets more rapidly to international com-

Sir Leon Brittan, the EU trade commissioner, will rebuke Japan, South Korea and south-east Asian countries which attended this month's Asia-Europe summit for drag-ging their feet in World Trade Organisation negotiations on liberalising basic telecoms.

"Not one of these nations has yet offered the kind of comprehensive, effective access to its market that we will need to make a success of the negotiations by the April EU had given developing coun-30 deadline," he will tell a tries an excuse for remaining tain whether it would move

"There could be no better

way of fleshing out the new Asia-Europe partnership than for all countries to sign up to an ambitious telecoms deal." More than half the roughly 50 countries involved in the WTO talks have yet to offer any liberalisation measures. Sir Leon will make clear that he considers most of the pro-

His public efforts to speed the WTO telecoms negotiations, which are accompanied by intensive private contacts with developing country gov-ernments, coincide with clear signs of US dissatisfaction

Mr Jeffrey Lang, the senior

US trade negotiator, said the

Some of the curbs are set to remain after 1998, when the EU is due to open its telecommunications market to compewith the EU's position in the Mr Lang said the EU bad indicated that it was prepared

group of business advisers in inflexible in the negotiations Brussels.

because it was still not because it was still not pledged to abolish all restric-tions on foreign ownership of telecommunications services. the end of April.

The US has offered to open

its telecommunications market He said that if the WTO fully to international competitalks were to succeed, Europe, Japan and other industrialised economies needed to set develtion, provided it receives satisfactory liberalisation commitments from a "critical mass" oping countries a good examof other WTO members. ple by committing themselves to full liberalisation.

Although Washington has not defined what that would entail, it has said it wants a number of WTO members to improve their offers in the negotiations. They include Australia, Brazil, Chile, Hong Kong, Mexico, Poland, Singapore and Switzerland, as well as the EU, Japan and South Korea.

The EU, meanwhile, has expressed doubts about details of the US offer, saying it still appears to contain some limits

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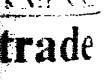
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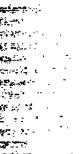
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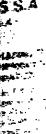














































































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# New law would aid EU financial institutions

By Allson Smith, Investment Correspondent

By Peter Marsh

in Worcester.

Yamasaki Mazak, the Japanese

company that is the world's second biggest machine tool

producer, plans a new phase of

expansion at its European

manufacturing operation based

multi-million pound investment to expand capacity at its Worcester plant by about

20 per cent from this summer.

immediately after a £9m

(\$13.8m) investment plan,

already in train, is completed.

The new expansion project is

thought likely to push annual

output of machine tools from the Worcester operation to up

to £200m in about two years'

time - consolidating the

factory's position as one of

Europe's biggest machine tool

owned Yamasaki marks a

strong show of confidence by

the company in the prospects

for machine tool sales in

Europe - which are slowly recovering after a poor phase in the early

1990s, linked to the weakened

economic conditions across the

It is expected that the new

investment plan, to be finished

by mid-1997, will create about

50 new jobs on top of the 400

continent

The plan by the privately

The company is planning a

Continental European banks would be

able to take over UK building societies under plans set to be unveiled by the government next week.

The proposal, contained in draft legislation on building societies, represents a shift away from existing law, which prevents a society's business being transferred to a foreign com-

It would offer European financial institutions another route into the UK personal finance market at a time when the UK mortgage market is showing signs of recovery after the

Japanese tool

maker set for

plant expansion

year ago.

Ешгоре.

already employed in

Worcester, up by 100 from a

Yamasaki does not reveal its annual worldwide sales but

industry estimates put these at

about \$730m (£474m) in 1994.

making the company the second biggest machine tool

producer after Amada, also of

Japan. About 85 per cent of the

Worcester plant's output is exported, mainly to the rest of

Mr Elmar Barz, director of

Yamasaki's European operations, said sales to France

and Germany - which

represent two of the big

European markets for machine

tools - were relatively weak but this was more than

compensated for by growing

demand for machine tools in

countries such as Italy. Spain

and the former communist

Mr Barz also said the

Worcester plant was likely to

switch some exports to

south-east Asia and North

America after several years in which it had stopped making

The costs of the new

expansion at Worcester, one of

the few production operations

in Europe run by a Japanese

machine tool company, have

not been revealed but are

thought likely to be about £5m.

tools for these countries.

nations in eastern Europe.

part of a far-reaching revision of building society law due to be introduced in parliament in the autumn. They are aimed at giving societies more powers and requiring them to be more accountable to their members.

However, publication of the draft bill will highlight the growing split in the UK home loans sector between societies emphasising the benefits of being mutual organisations, owned by their savers and borrowers, and those which have become or are intending to become public limited companies. The government's plans are also directed at making it easier for societ-

economic recession of the early 1990s. ies to develop and combine as mutuals, without having to be taken over or to become banks in their own

> They would allow societies to combine in a federation, in which each society remained independent, or through an arrangement allowing one society to own one or more others. A separate proposal, which would

> enable a society to keep the name of another it had taken over, would help such deals by allowing the larger society to retain the goodwill associated with the merged society

> Under the proposed legislation. financial institutions in the European economic area could gain entry to the

UK bome loan market through the that they will do so or have said they takeover of a society.

Several foreign banks sold home loans in the UK through intermediaries rather than branch networks in the mid-1980s. They subsequently pulled out of the market after the early 1990s recession. Recent recovery signs could now make the market a more attractive proposition, especially if the option of making an acquisition is more readily available.

Attention in the building society sector is already starting to focus on takeovers and acquisitions rather than conversions because most of the societies large enough to float on their own have already announced

have no such plans.

At the heart of the bill is a move away from the current prescriptive regime for societies to a permissive one. It would allow them to pursue a broader range of activities as long as their principal purpose was providing residential mortgages funded substantially by individual savers.

The consultation paper explains why the government does not intend to introduce new restrictions on what benefits can be paid to savers and borrowers in a takeover or flotation. The bill is unlikely to become law

without at least a parliamentary

# PM faces fresh turmoil over Europe

minister, was warned yester-day that he faces renewed Tory turmoil over Europe, if the white paper on Britain's approach to the EU's intergovernmental conference does not demand a substantial clawback of power from Brussels. Conservative Eurosceptic MPs warned Mr Major that

Mr John Major, the prime

they would vote against the government in a debate on the paper, due to be published tomorrow, if it did not measure up to their demands. Mr Christopher Gill, MP for

Ludlow, said: "For a long time now, it has been thought that l, and others, would be satisfied with rhetoric. We are past that stage now. We want to see the beef."

Speaking on BBC Television's On the Record programme, Mr Gill and his Eurosceptic colleague, Mr Bill Cash, warned that the government could not count on their support when MPs debate the

unlikely to be satisfied with a paper which is expected to propose only a modest diminishing of the EU's power. The paper will attempt to strike a balanced position, setting out the benefits derived from Britain's membership of the EU and calling for an expansion of the union to the east.

A Tory rebellion is likely,

since hardline MPs are

Eurosceptics will approve of the commitment to defend Britain's veto and control EU spending, but will be disappointed that the paper will suggest only minor reforms to the

powers of the European Court, and no repatriation of power opposition from Mr Kenneth Clarke, the chancellor. from Brussels.

Mr Cash, MP for Stafford, said: "It is absolutely essential that there are reductions of competence - in other words a reduction of the degree of European government. 'It is not enough just to throw a few titbits. It won't

work because it would be a failure of political will and a failure of political leadership." Mr John Townend, chairman of the rightwing 92 Group, said the government could not count on his support. "My first responsibility is to Britain and

nation state." he said. Mr Major is preparing to appease the party's sceptical wing by offering a referendum before Britain's entry into a single currency, but in doing so he will have to overcome

A referendum pledge would

also spike the guns of the businessman Sir James Goldsmith, who plans to field Referendum party candidates at the next election. Tory Eurosceptics will have an early chance to express their views on the white paper on Wednesday in an adjournment debate secured

by Mr Gill on the IGC.

The opposition Labour party may attempt to sabotage the flotation of Railtrack by withholding details of its own rail policy in the sale prospectus, it emerged yesterday.

The government hopes to publish a prospectus later this month with a view to floating Railtrack, the owner of Britain's track, signalling and stations, for around £1.5-£2bn

# Citibank closes in on new HQ site

Property Correspondent

Citibank has drawn up a shortlist of three potential sites for its new London headquarters and is expected to make a final decision this month. The US bank is considering Canary Wharf, the big office development in Docklands; Baltic Exchange, a City devel-

opment site owned by Trafalgar House; and the proposed second phase of London Bridge City, an office complex on the

south side of the River

Thames.

Its search has revived fierce competition for tenants between the City, the traditional home of London's financial services industry, and Canary Wharf.

Last year Barclays de Zoete Wedd, the investment banking arm of Barclays Bank chose to move to Canary Wharf. Two continental European

banks - Deutsche Morgan Grenfell and ABN Amro have since chosen to build new offices within the Square Mile. The Corporation of London, the City's local authority, is trying to ensure that the Baltic Exchange site can satisfy Citibank's requirement for 400,000 sq ft of space including large trading floors. Trafalgar House's existing planning consent covers only 350,000 sq ft. The developer has been

working with Corporation planning officials and English Heritage, the government agency responsible for historic buildings, on alternative plans. Existing proposals involve preserving the old Baltic Exchange building, which is listed but was badly damaged by an IRA bomb in 1992, within a new structure. More office

old building was moved to a new site. There is no guarantee, however, that the US bank will choose the City.

Canary Wharf is owned by a consortium of investors includ-ing Prince al-Waleed bin Talal bin Abdulaziz of Saudi Arabia. who is also a big shareholder

The bank's biggest central London building is already on the first phase of London Bridge City, which is owned by St Martin's Property Group, part of the Kuwaiti Investment

UK NEWS DIGEST

# London training weakness shown

Managers of financial services companies in the City of London are guilty of arrogance and "training phobia", and have received insufficient training, according to a survey

published today by Mori, the polling group.

It found that about 40 per cent of City financial organisa. tions spend 2 per cent or less of their annual turpover on training. Of the remainder, 82 per cent did not even know how

much money they spent on training. Mr George Alford, deputy chairman of Clintec, the Training and Enterprise Council (Tec) which produced the report, said "more than one in four senior managers believe external training could not teach them anything new".

Only 7 per cent thought they would benefit from training on the subject of how to manage their staff, while only 10 per cent had attended as many as three training courses in a year.

Mr Alford, who is also head of private banking with Kleinwort Benson, the investment bank, said the problem was not unique to the City. But vocational training was particularly important in service industries where there was usually less technical training, he said. John Authers, London echnical training, he said.

## Internal battle for investment

Most English local authorities regard neighbouring regions -rather than other areas of Europe - as their principal source of competition for inward investment.

An analysis of inward investment activity among local councils by Ernst & Young shows that on average 75 per cent of investment inquiries come from other UK regions, indicating a high level of dissatisfaction with existing locations. France and Germany are regarded by local authorities as the higgest competitors elsewhere in Europe. Michael Cassell, London competitors elsewhere in Europe.

# Charities' income at record

The income of Britain's top charities rose to a record £9.98bn (\$15.26bn) in the 12 months to June 1994, according to the latest available figures. The period covered precedes the launch of the National Lottery, which charities say has

affected discretionary giving.

According to the 1996 Henderson Top 2000 charities guide, public grants and fees remained the largest single source of income for the sector, amounting to £2.7bn during the year, up from \$2.6bn. Donations from the UK's 50 top corporate donors rose by £17.5m to £211.4m. Charitable giving by all listed companies amounted to £251m. Glaxo Wellcome was the biggest donor with £21m, while the biggest rise in community involvement came from Thorn EMI, the entertainment group, which increased donations 171 per cent to £9.5m.

The biggest falls in corporate donations came from British Gas, which cut community involvement from £2m to £1.8m and media groups News International, which dropped from £1.9m to £800,000, and Pearson, which owns the Financial Times, from £1.27m to £730,000.

## Football rivalry hits cereal sales Fierce football rivalry has led to a slump in sales of Sugar

Puffs in a soccer-mad city in north-east England. Sunderland supporters boycotted the cereal after Newcastle

United's manager Kevin Keegan promoted the virtue of the breakfast cereal in a TV ad, complete with the Honey Monster character dressed in a black and white shirt. Stores in the red and white city reported falling sales as

rumours spread that fans had banned the cereal from their

homes. Quaker, the makers of Sugar Puffs, were unavailable

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22nd - 27th APRII

Norbert Blum, the Bonn government's feisty labour minis-ter, first cracked the joke about

Germany having the youngest pen-sioners and the oldest students. But

for those involved in higher educa-

first degree have long since ceased

Germany's eternal students are

just one among many symptoms of a higher education system in crisis.

At first sight there is a chronic

imbalance between the 1.9m people

registered as university students

and the 970,000 places officially

Horror stories abound of unin-

spiring professors lecturing to over-

full halls containing 600 or more

students. The percentage of stu-

dents who break off courses with-out sitting an exam is high: 28 per cent. Higher education, which is primarily the responsibility of the linder, or federal states, is under

available to accommodate them.

to be a laughing matter.

State March 11 of

Because are engineering

\*\*\*

ers' money to bribe people into it. This debate was revived last month by The Blair Revolution, a book by two influential modernisers" in Britain's opposition Labour party. The authors, Peter Mandelson and Roger Liddle, suggested that newlyweds should receive a means-tested loan of up to £5,000 paid for by increasing inheritance tax for the wealthy.

The idea that the state should offer

grants or loans to encourage mar-

riage has a long but somewhat dis-

quieting history, having been

espoused during this century by

characters as diverse as Beveridge. Hitler and Marshall Petain. It is

one thing to preach that marriage is a fine institution; it is quite

another to propose using taxpay-

Marriage has been in steady decline since the late 1960s in Britain, a trend mirrored in the US and elsewhere in Europe. During that time the left has been reluctant to identify this as a problem. for fear of being thought socially conservative and behind the times. But as successive electoral defeats have dragged Labour rightwards. its leaders have been happier to embrace the dubious rhetoric of

<u>"family</u> values". Mandelson and Liddle are unapologetic. They argue that marriage is important both as a social institution in which to bring up children and as an economic institution which should share the costs of caring for young and old, a task the left previously saw as the prov-

ince of the welfare state. "Committed relationships and marriage itself can and should be strengthened directly by public policy," Mandelson and Liddle con-

# Eternal students earn wan smiles

their budget deficits.

tion, the high age of graduates and the length of time taken to obtain a There is broad agreement on the part of the Bonn government, the länder, the universities and businessmen on what is wrong with higher education. But this does not yield easy solutions.

A special difficulty caused by data protection laws is that few education statistics are more recent than 1992. Those for that year show that the average German student had studied for nearly seven years and sat his final examination at the age of 28.33 years.

A stroll round a university town such as Bonn suggests that little has changed since 1992. At present. 10,000 of Bonn university's 36,000 students have been registered for at least 12 semesters - six years.

growing financial pressure as state stances to explain the ripe old age governments struggle to control of German undergraduates. Con-There are extenuating circumDATELINE Bonn:

Germany's system of government makes a solution to its

protracted higher education crisis difficult, writes **Peter Norman** 

scription raises the age of university entry for some. The university rectors' conference (the university lobby group) estimates that nearly 40 per cent of students now enter university after completing voca-

tional training, against only a quarter in the late 1970s. And the final examination is in most cases of a fairly high standard: the federal education ministry reckons that the German diploma is of a master's standard rather than equivalent to the batchelor's degree in UK

universities.
But the education ministry in Bonn says that four years should be enough to get a diploma in most disciplines, with five years for some sciences. The 1992 figures, showing that the average length of study had risen by more than a year since the 1970s, suggest that other

things are going wrong.

Many of the problems are in the universities themselves. There is often a mismatch between what is taught at school and the university course. That makes chopping and changing courses in the early stage

Lack of organisation in universities makes the life of new arrivals especially fraught. For many freshers, the first semester at a German university is spent learning how the place works - usually by trial and error.

The attitude of professors and other teaching staff does not help. Research carries much more kudos than lecturing. There has also been a sharp increase in the university student population, with an estimated 35 per cent of school leavers ending up at university against 22 per cent in 1982.

That means over-crowding, although it is probably not as bad as suggested by official figures. The 970,000 places said to be available is a notional figure devised in the 1970s. In addition, a substantial if unknown number of registered stu-

of a university career quite normal dents do not study at all. Their incentive to free-load is considerable: fees for courses are low about DM80 (£35.20) a semester while the financial benefits accruing through cheap fares, concerts and health insurance total an estimated DM1,200 a year.

But for genuine students, financing study is difficult. Some 26 per cent of them make use of government loans for at least part of their needs. A recent survey suggested that 45 per cent rely mainly on parental support. But a good 30 per cent are working their way through university. Such "jobbing" can pro-long their studies. It also contrib-utes to a high level of late dropouts. Heidelberg university recently found that about 20 per cent of science students broke off their studies after eight semesters.

Yet many of these will have

stigma attached to joining a company without a diploma. Some employers prefer to hire pre-graduates because they regard university courses as too theoretical.

found permanent jobs. There is no

Eternal students need not be a permanent feature of the German university scene. The Netherlands had a similar problem and has largely solved it by introducing financial incentives for universities to complete courses quickly.

But Germany is a federal country and its system of government is a chief reason why the problems of higher education are so intractable. The 16 länder are mainly responsible for the universities, and traditionally move in consensus with the federal government.

The lander and Bonn reached agreement in 1993 on what needed to be done but failed to settle the question of how to finance the reforms. That failure means there is still no clear programme for solving Germany's higher education

# PEOPLE

# Lloyd's at a crossroads

# Ralph Atkins on a farewell to limbo

or Disgusted of Detroit, wealthy of Woking and Broke of Berkshire, the phone-lines isation out of the litigation and all

are open. At 8am today, 30 Lloyd's of London staff will start taking calls from investors - or Names - on statements which were dispatched last Friday and, for the first time, tell all 34,000 of them what Lloyd's complex recovery plans means to them.
Hazel Callaghan, in charge of set-

ting up the free helplines, expects many to be positive - but is trained for the worst. "Some Names will just ring up to sound off," she says. "We have vast amounts of experience with Names who have been abusive or upset. Their reactions

The response she receives - once the four-page "indicative finality statements" and 47-page accompanying guide have been digested will be important. If Lloyd's is to . survive in anything like its current form, the 300-year-old insurance market must win support from a significant majority of Names.

If the deal is confusing, however, the mindset of the Lloyd's community is still more perplexing. In one camp, much huffing and

puffing - and angry phone calls - are expected. Christopher Stockwell, chairman of the Lloyd's Names' Associations' working party, representing militant lossmaking Names, says: "Substantial numbers of people are going to be appalled at how much money is going to be required of them. There are a lot of people, who were not rich . . . who went in on the back of bank guarantees, and they are

going to be ruined." Other Names are simply fed up. "It really is going to be a relief to get the numbers," says one London Name. "You can go to the bank and say. This is really the last lot."

In another camp are enthusiastic supporters. Harry Teasley, soft drinks company executive and Floisation out of the litigation and all that, and go forth and do business."

If the recovery package succeeds, not only would thousands of Names be free to resign from Lloyd's but a new insurance market would emerge from the ashes, unencumbered by problems of the past. As Teasley says: "You just can't let Lloyd's stay in this limbo land."

Others are not going to let Names who have stopped underwriting – including the big lossmakers – grab all the headlines. Nigel Hanbury, a director of Falcon members' agency, which handles Names' affairs, says: "The sleeping giant of the on-going Name is going to wake up on Monday and scream and demand to be attended to."

If obviously wealthy Names, who have deliberately walked away from meeting losses, are being subsidised, says Hanbury, he would like to see their names in print. "I know it sounds vindictive, but it would produce a lot of money. The difficulty is in distinguishing

posturing from genuine grievance. The process is still at the negotia-tion stage. Last Friday's statements were merely indicative final numbers will not be agreed until May.

The plan's complexity does not help. Lloyd's is bringing together outstanding liabilities on old policies - including massive US pollu-tion and asbestos-related claims and requiring Names to pay to have them transfered into a new insurance company, Equitas.

To soften Equitas bills and end litigation being pursued by lossmaking Names for damages, there is a £2.8bn settlement fund, split according to Names' individual cir-

Lloyd's says nobody should have to pay more than £100,000 once funds denosited at the insurance market



'Substantial numbers of people are going to be appalled at how much money is going to be required of them'

Nevertheless, after five years of horrendous losses totalling more than £8bn, and with more unreported amounts still to feed through, a statement stating precisely how much a Name has lost in total "could knock a lot of people". according to Robert Miller, of the Association of Lloyd's Members.

"Names will distrust the statements because they don't understand them," says a lawyer. "Some figures will be wrong. I don't really blame Lloyd's, because this is just so mind-boggingly complex. Per-Few will receive cheques, but haps you just have to go through this process to harden people." it all amounts, savs Damon de

Laszlo, chairman of the Feltrim

"brinkmanship" by those at Lloyd's who could increase the £2.8bn settlement pot - including the managing agents which run syndicates. It would be mad if the plan failed. If it did, it would be because Lloyd's has not got it's act

together," de Laszlo says. Lossmaking Names are not going to roll over. In the US, militant Names have launched a legal campaign alleging Lloyd's breached securities laws by selling investment in the market. Cases are pending in California, Missouri, Colorado and elsewhere. Richard Rosenblatt, of the Ameri-

can Names' Association in California, says: "There are so many Names' Association, to high-stakes venues - state courts, federal

courts, bankruptcy courts, probate courts - that [US Names] don't feel anyone is breathing down their

Such battles and brinkmanship will be played out at Lloyd's, in courts and in newspapers, until voting takes place in July. "We're all playing a game of chicken," says

one council member. Final decisions by individual Names will not be taken lightly. Robert Saunders, head of insurance at Smith & Williamson, the accountancy and banking firm which advises Names, reckons he may need a bed-roll in the office this week. "This is the most important point in the market's history. This

is the crossroads of destiny.

# IN THE NEWS

# Harf bounces back to acquire Rimmel-Chicogo

Peter Harf does not often stumble, so when he did recently there was plenty of speculation about what might be in store for the boss of Benckiser, the acquisitive German consumer products group, writes Michael Lindemann in Bonn.

His tussle last January for control of Maybelline, the second biggest US cosmetics company, saw him pipped at the post by L'Oréal, the

French company.

Admittedly, L'Oréal is the world's largest cosmetics group, with far greater resources than the family-owned Benckiser. Even so. Harf has never lost out since starting his buying spree in the late 1980s and turning Benckiser into a company with sales of DM4.8bn (£2.1bn).

Harf, 49, bounced back last week to buy Rimmel-Chicogo, Unilever's mass market cosmetics business, for about \$130m. And, he insists, the Rimmel-Chicogo deal was not "some act of spite" following the Maybelline sethack

The game is far from being over," said Harf in a telephone interview from his New York office. where he spends about half his time. "We have a very robust long-term strategy which concentrates on mass cosmetics. We already make plenty of money in that business, and we will continue to grow aggressively."

What observers are asking themselves is how aggressively Harf, who used to be a consultant at Boston Consulting Group, can keep growing, especially since several of his top managers have recently left.

Even though the company reported improved net profits of about DM100m last week, its return on sales does not look promising. especially compared with larger rivals like Procter & Gamble. On top of that, Benckiser is still lugging debts of DM1.5bn, reduced but still high in terms of sales.

The family, it seems, is hoping that Harf will temper his acquisitiveness and consolidate existing businesses. That, however, is something that Wirtschaftswoche, the German business weekly. advised him to do in 1991. There is no sign that Harf even listened.

## Heads swivel to see James Packer

If there is one thing that can be expected from Australia's Packer family, owner of some of the country's biggest media assets, it is reluctance to talk to the media, writes Nikki Tait in Sydney. So when Kerry Packer, the 58-year-old businessman often thought of as Australia's richest man, said he was stepping down as chairman of Publishing and Broadcasting, the family's main listed company, and promoting his 28-year-old son to managing director, he did so via a brief paragraph in PBL's formal earnings release.

Yet James Packer, 28, has been groomed for the role all his working life. After school - at Sydney's Cranbrook - he served a year as a jackeroo on one of the Packers' cattle stations. Then he had a decade's training within the family's businesses, moving from magazines sales rep to a director on the PBL board.

PBL's new managing director has not been invisible, at least to Sydneysiders. Some glamorous girlfriends – including Jennifer Flavin, a US model, and Deni Hines, a rock singer - have ensured plenty of pics in society columns.

James's property market dealings have also caught the eye. He shrewdly turned several dilapidated inner-city warehouses into fashionable Manhattan-style apartments in the early 1990s, and is seeking to redevelop a site on the famed beachfront at Bondi, where he lives. The local council is not enthused, but this may not deter James. Controversy and the Packers go hand in hand.

# **Robert Chote** · Economics Notebook

# The woe of state and marriage

Labour modernisers have revived a disquieting debate. But it is one thing to preach marriage as a fine institution, another to propose using taxpayers' money to bribe people into it

clude. They even argue that it is reasonable to subsidise married people at the expense of singles. Many advocates of policies to promote marriage would argue their case from a purely moral standpoint. But taxes and subsidies have economic costs, so does marriage bring with it any economic benefits that might compensate? Professor Kermit Daniel, of the University of Pennsylvania, argues

that it does. He believes that marriage raises productivity by allowing specialisation of labour within the family. Where couples are concerned, he maintains, the whole is greater than the sum of the parts. He argues that productivity might rise because one partner assists the other's work directly, acts as a "sounding board", organises activities or performs housework or chores that increase the other's effectiveness at work. One

partner may also take more of the

burden of childcare, helping the other to perform better at work. If marriage increases productivity, the labour market should reward it with higher wages. Prof Daniel investigated this by looking at the histories of a sample of US men and women aged 14 to 21 in 1979. He eliminated the effects of age, education, employment history, health and job attributes to

isolate a "marriage premium".

Depending on their race and gender, Prof Daniel found that married people earned on average up to 6 per cent more than their single counterparts. For those who divorced, this premium shrank gradually as the date of dissolution drew closer - presumably because the efficient division of labour was progressively breaking down. Needless to say, the precise fig-ures calculated for the marriage premium should be taken with a pinch of salt. The premium might be underestimated, for example, if the stability of people's employment history is determined in part by their marital status. On the other hand, the premium might be overstated if it is explained in part by intangible factors that make someone both a good worker and a good spouse. These might include loyalty, dependability, diligence

and physical attractiveness. Let us assume these factors offset each other and that there is a marriage premium of about 6 per cent. Just because marriage increases productivity, that does not provide grounds for the state to subsidise it. That would only be the case if the marriage premium was too small to reflect fully the increase in productivity. But direct

. . 6.9

studies of what determines productivity suggest married men are 5 to 10 per cent more productive than single men. This implies that the labour market is already efficient in the way it rewards people for getting married. So marriage subsidies would gen-

erate few spillover benefits for the economy. They would also have the undesirable effect of reinforcing traditional gender roles within marriage, because the premium is larger for men than women. Discrimination means that men

earn more than women in similar jobs. So if a married couple are trying to maximise their joint income, it is rational for the husband to concentrate more on paid than unpaid work, relative to his wife. The expectation that this will he the case also encourages women to build up what Prof Daniel calls "augmentation capital" before marriage, preparing for a life of non-

paid work at home. But another argument for subsidy is that society benefits from having children brought up by married parents. As Patricia Morgan has argued: "Children of nontraditional families have higher rates of mortality and morbidity, are more at risk of abuse, more likely to become delinquent and go into care, and more likely to become involved in crime".

However, as so often in economics, it is important to distinguish the average from the marginal. Children of married parents may on average do "better" in some sense that those of single parents (although cause and effect are ambiguous). But that will not necessarily be true of children whose parents have only married to qualify for an artifical financial incen-

To prevent fleeting marriages of convenience, subsidy schemes would also have to contain some incentive to keep couples together. They would further stigmatise single parenthood and, at worst, could place more pressure on women to remain in abusive relationships. More generally, it is surely better for children to have amicably separated parents than to be brought up in a nuclear family where the adults are at each other's throats.

Mandelson and Liddle's proposal has been greeted with considerable scepticism, but New Labour's willingness to pander to populist authoritarianism suggests we may not have heard the last of it. With luck, however, the party will realise that it has better things to do with scarce resources than engage in misguided social engineering.

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Sir Ronald Hampel wants wide-ranging talks on the issues of governance, reports William Lewis

# Guide to the great 'untouchables'

great debate involving British business will take place during the next two years if the hopes of Sir Ronald Hampel, chairman of the City of London's corporate governance study group, are met.

As chairman of the Hampel committee, the successor body to the Cadbury committee - which published its report on governance in December 1992 - Sir Ronald has called for a "full and frank" debate on the structure and workings of corporations in the UK and how they interact with shareholders.

Sir Ronald wants to tackle issues described by another committee member as "the great untouchables". They include the UK's unitary board structure and the

responsibilities of UK shareholders. However, after dealing with these subjects, it appears that Sir Ronald's intention is for them to be left untouched. "I need some convincing . . . that the basic system that has developed in this country of inside and outside directors can be much improved on." Sir Ronald said recently. I have no wish to produce an earth-shattering report.

So why has Sir Ronald made his call for a wide-ranging debate? One explanation is that it provides a necessary carrot to attract the sort of high-calibre industrialists who might otherwise not have bothered to sit on his committee.

Another lies in his hope that the work will lead to a change in the public's view of British business, damaged by the long-running controversy over executive pay at pri-

Those with more radical corporate governance agendas, however, should not be put off by Sir Ronhe may intend that the committee should make only limited recommendations, others in the group appear to take a different view.

"It is also possible that in the course of this great debate Sir Ronald may see the light," a member says. "Don't forget Sir Richard Greenbury set out to do nothing. and look what happened to him." (A reference to last year's tough recommendations on executive pay made by the committee chaired by

the Marks and Spencer chairman.) Hampel's findings, due to be published at the end of next year after a period of consultation, are likely to be implemented through the amendment of Stock Exchange rules or possibly through legislation.

Drawing on Sir Ronald's public comments and private conversations with other-committee members, here is a guide to the Hampel committee debate: • Structure of the board. Tradi-

tionally this has been the most untouchable issue of all, with the City almost unanimous in defence of the unitary board against other structures, such as two-tier boards. However, Sir Ronald wants the pros and cons of the UK's system, directors, to be discussed and com- former commissioner of the Securi- tors were defeated by institutional holder Association, want it made nance activists oppose weakening their auditors every five years.

ompany chairmen could learn a trick from Sir Richard Greenbury. Not

about how to sell under-

how to talk. Last week he was quoted as saying: "It would have been difficult to get it more wrong".

If it were gardens rather than commerce that was under discussion.

Moreover, not one of the compa-

tedly. Sir Richard was referring to ditions remained difficult . . . it

Contrast his remark with the most commonly used phrase. IBM

wear or sandwiches, nor about how

much to pay top people. But about

That was an exemplary comment

from someone in his position. First,

most of the words contained no

more than one syllable. Second,

there was no jargon. Third, the meaning was quite clear. Fourth,

and most remarkable, the statement

was an admission of blame. Admit-

Marks and Spencer's unhappy

Canadian chain, which was finally

sold last week. But still it was an

admission. Far from making him

look culpable, the statement makes

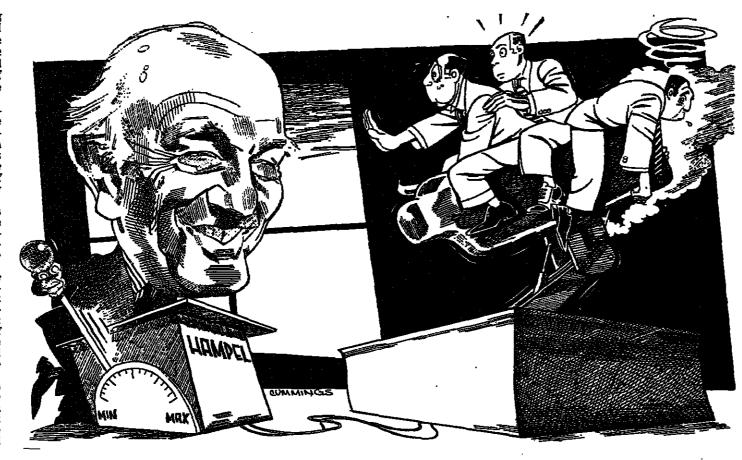
him look credible. Shareholders are

not stupid: companies that occa-

sionally accept blame are more

likely to be believed when they

start claiming the credit.



pared with other options, such as the German supervisory board, where directors are appointed to oversee senior executives' work.

For change: Academics such as John Parkinson of Bristol University, who says: "There is a great deal to be said for a supervisory board." Other supporters include the Labour party, trade unions and executives at a few public companies, who privately express backing. Against change: Most large public

group leaders. Tim Melville-Ross. director-general of the Institute of Directors, rules out change, "The German system is not necessarily all it is cracked up to be," he says. "UK companies effectively have a two-tier board structure anyway.' The role of non-executive directors. Following Cadbury and Greenbury, non-executive directors now have much greater responsibility. As well as advising on company strategy, they are expected to act as

company policemen, examining the

activities of executive directors

across a range of areas.

Some suggest that these two roles are no longer compatible and a third type of director should be created, perhaps appointed by large institutional shareholders to encourage companies to think longer term. Others argue that to avoid so-called "management capture" ofnon-executive directors, their interests should be brought more into line with executive directors by paying them in shares.

For change: Barbara Thomas, a scrap large pay increases for direc-

obscure nonsense talked by com-

pany chairmen last week as they announced their 1995 profits. All

week we have heard about how

they are "growing the business"

and achieving "organic" growth, as

nies reporting was prepared to

admit to having put a foot wrong

last year. Those announcing lower

profits relied on tired old clichés to

explain their performance: "It was a year of consolidation . . . it is very

difficult to create any competitive

advantage in this market . . . con-

was a difficult year . . . market conditions were sharply adverse".

Nowhere in this is the slightest hint

that there could be a link between

profits and management endeavour.

bug when the time comes to assure

shareholders that the future is

bright. "We are well placed to take

advantage of an upturn" was the

There is no less waffle and hum-

ties and Exchange Commission in the US, who sits as a non-executive director in the UK and US. She backs payment of non-executives in shares, as well as the creation of a new class of non-executive director to play a "quasi-regulatory" or poli-

cing role at public companies. This third class of director should be paid a flat fee, she argued at a recent IoD conference. Melville-Ross is keen on share payment, too. Against change: The majority of

## THE CADBURY CODE

- Clear division of responsibilities at the head of a company Sufficient number of independent
- non-executives Terms of executive contracts no more than three years
- three non-executives

stated in annual reports Privatised utilities to review directors' pay packages Government reform of

shareholders, have led to calls for

fund managers to be more account-

Pension scheme trustees com-

plain that fund managers fail to

consult about how to vote at com-

pany meetings and often do not

bother voting. There have been calls for them to be forced to vote

and disclose their decision. The role

of company meetings is also to be

discussed, with most businesses

sceptical about their benefits for the

pay packages, including pensions

THE GREENBURY RECIPE

Full disclosure of directors'

Shareholder approval for any

long-term bonus schemes

able for how they vote.

 taxation of share options. Avoid contracts longer

● Non-executives only on remuneration committees

companies and executive directors. Institutional shareholders also want to avoid extra responsibilities. The role of institutional share holders. This may be one of the

chairman of Dixons, would welcome reduced levels of compliance. Sir Stanley lobbied to halt the Hampel committee. "There are too many rules already," he said. Against change: Institutional

British Airways' plan is that the company is pretending that its TV will be objective: during strikes

shop stewards will be interviewed

in what the company says will be an impartial fashion. Even more

implausible is the idea that corpo-

rate TV could be bard hitting. "It

will expose those managers who are

not performing," said BA's chief executive last week. How? Does BA plan to shop itself, do its own ver-sion of *The House* – the BBC's docu-

mentary series about the Royal

Opera House? Now that would

make good viewing. Whether it

would make good corporate practice

One of the most suspect recent

imports from the US is the cus-

tomer careline: the phone number

on your groceries that you can ring

if you are less than delighted with

the product. You can complain

is another matter.

easier for small shareholders to put

forward proposals at company meet-

in government before the commit-

tee's two-year brief comes to an

end, wants to make it the duty of

institutional shareholders to vote at

company meetings, a reform that

would affect pension funds which

have a patchy voting record.

Against change: Fund managers

do not want legislation on voting.

Most companies will be reluctant

for shareholders to get involved in

Review of Cadbury committee.

Sir Ronald argues there is a strong

case for allowing smaller public

companies not to comply with cer-

tain Cadbury rules, an argument supported by Sir Adrian Cadbury, the Cadbury committee chairman.

Sir Ronald is also keen to rein-

force the case for broad, Cadbury-

type principles, rather than specific

regulations. At the very least, he

wants the committee's report to

point out that many Cadbury rules

are voluntary, thereby reducing the

pressure on companies to comply.

Another question is whether gov-

the running of their businesses.

The Labour party, which could be

the Cadbury rules. Fund managers say they have helped them put difficult questions to managers and get things changed.

• Greenbury report. The Hampel committee is to look at the effects of the new Stock Exchange rules governing executive pay introduced after Greenbury.

Sir Ronald argues that the rules mean companies have to reveal too much and that there is a strong argument for reducing disclosure. Hampel may also be called on to adjudicate in a row over the method companies use when disclosing directors' pension entitlements.

For change: With the first set of Greenbury-inspired annual reports due for publication shortly, the Hampel committee will be able to judge the success of increased disclosure rules on the basis of two vears' accounts.

Directors of public companies. including those sitting on the Hampel committee, are likely to push for a reduction in the extensive Greenbury disclosure requirements. Some have cited personal security as a strong reason for curtailing what they now tell shareholders about

Against change: Shareholders are likely to welcome the improved disclosure and voting rights and will resist weakening of Greenbury. The role of auditors. Few committee members are sure what discussions will focus on. One possible issue is whether accountancy firms should act as auditors and consultants to the same company or

Should auditors also be responsible for stating the degree to which companies comply with Cadbury and Greenbury or leave that to directors? Should executive directors appoint auditors or leave it to non-executive directors sitting on main board audit committees?

whether such cross-overs limit audi-

For change: In January, the Auditing Practices Board, the audit profession's regulator, made one of the first submissions to the Hampel committee. It said that consultation had revealed "strong reservations" about the Cadbury code's recommendation that directors should indge the effectiveness of a company's internal financial controls.

Cadbury recommended that directors should report on the effectiveness of controls and auditors should report on their assurances. Current guidance stops short of insisting that directors give such an assur-ance - although it does invite them to give an opinion if they want to. Most auditors advise directors not to, saying it is too dangerous. Against change: Auditors earn

ernance structures should apply to large fees from spin-off consultancy work and will resist anything that recommends they should confine their activities for clients to one type of work. They will also want to avoid any changes to the way they are appointed and reappointed as companies' auditors. Some shareholders have suggested that busi-



# FAST TRAGE

example of the "third reneration" of the Internet From the end of last ye French have been able to miscribe to their own

nages and sounds. Michel Perrin, deputy general manager of Infonies argues that the Internet is traditionally a text-based system, largely since at professionals.

at professionals.
Second generation services
placed the emphasis on
communication. He says his
service is designed to go further,
offering the general public a
more visual, interactive format
with a focus on content of quality, combining the best of the "web", interactive television and the country's Minus!

After carrying out market research, the company discovered that potential stomers were frustrated with the Minitel system, which charges rates based on the amount of time spent "on line" So it opted instead for a line: monthly fee, plus local

telephone charges.
For FFr149 (219:12) a month. subscribers can receive some 120 services, from home shopping to news and information, as well as access to the internet's e-mail service. For a further FR-50, they can tap into the rest of the Internet. Perrin says users will be able

to inspect pictures of boulings of flowers before undering them by credit card, or listen to specific compact distribution deciding whether to buy them.

He believes that while many

people initially:firt with the Internet, most will be satisfied with the basic infome services and its e-mail function, and will drop their request for the separate fall web connection particularly as the atmober of facilities on offer grows: One of the problems is that

few people in France have moderns with the sufficiently high speed of 28,800 bits/s to connect their computers into service. So Infohie also offers the equipment free of charges with gainst a denosit

Despite the claims and counter claims, and the intensely competitive world of computer information, inforie has achieved some important backing, including investment from Parthas and Banexi. Last month; it became the

first company to be quoted on France's Nouveau Marché, the stock market for new. fast growing businesses. It plans to use the money to improve services and to expand abroad. So far, the take up has been modest. There are currently 2,500 subscribers. Yet Perrin says the launch was muted by the effect of the strikes in France at the end of last year. An ambitious new advertising campaign kicks off next month.

The company is kinning for 68,000 subscribers by the end of 68,000 subscribers by the end of this year, and 534,000 by 2000. It says it can achieve break even with 200,000 subscribers, but in its listing prospectus estimates it could be generating a small profit by the end of 1997.

other countries, including. French-speaking Canada, Switzerland and Belgium. Andrew Jack

Over the next few months it is

planning to offer its network in a

# Compliance with code to be

Audit committee with at least

Compliance with code to be stated in annual reports

liveliest areas of debate. A number

of high-profile company meetings,

such as last year's British Gas

talked of "accelerated opportunities

for growth" (whatever that means), while ADT said: "We are committed

to expanding . . . through a bal-

anced programme of internal

growth, dealer programme develop-

ment and growth by acquisition", which presumably means we will try to do better any way we can.

to talking in this strange coded lan-

guage which no one takes at face

value that they are at a loss when they wish to convey a message.

When Lotus was asked to confirm a

rumour last week, its finance direc-

tor said it was "completely 100 per cent incorrect". How does that com-

Executives have become so used

annual meeting at which moves to

majority of shareholders. Another proposal is for sharehold-

ers to receive tax incentives to encourage them to hold shares for longer periods. The favourable treatment institutional shareholders receive compared with individuals may also be on the agenda. For change: Corporate governance

pare with saying just "incorrect"?

Delia Smith's Winter Collection and

Murder One aside, television is not my favourite medium. Thus I have

been congratulating myself recently

on the fact that I do not work for

the world's favourite airline. From

next month British Airways employees will be subjected to a

daily 15-minute news bulletin that will enable all 53,000 of them to feel

BA is not the first company to

decide that TV is the ideal way of

like one great big happy family.

Sounds less categoric to me.

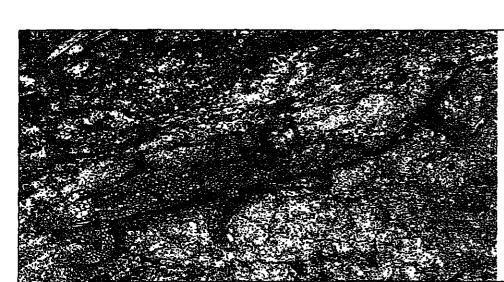
**Lucy Kellaway** 

companies in different sectors. For change: Industrialists such as Sir Ronald and Sir Stanley Kalms,

Falling into the credibility gap reaching a large and far-flung work-force. But what is odd about the

about your gravy granule, your shampoo and even your light bulb. What is it all about? Most of these goods are commodities; there is no question of liking or not liking a light bulb. In these days of get-itright-first-time, products are sup-posed to be perfect, so there should be nothing to complain about. I assume that the point of these

carelines is to make you feel warmly towards the product, but for my money they leave me stone cold. They would leave me colder still if I had been involved in a survey conducted by AIM consultancy which rang all the numbers and rated them according to service. Bisto Gravy got the dubious distinction of being tops when it comes to dealing with irate customers, whereas the telephone operators on the soft cheese careline were found to be barely civil. The most useful finding from this bizarre survey is that if you phone Lurpak to complain about a pat of butter you may get a £20 postal



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to your customers, invaluable to you. Call Maxine Evans for details on 0181 681 2525

# When more can mean better

n 1995 a dozen Ethiopian students graduated with a master of business admining study with the Open University. By comparison, Insead, one of the leading European one of the leading European Open University in Milton Keynes, in the UK. Not surprising, you might think.
But these were no ordinary

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# 175 pg

MBA students. One was the president of Ethiopia, another was the prime minister and the rest were assorted heads of government departments and the Ethiopian military. All had started on the MBA course three years earlier as a result of a request from the Ethiopian government to Britain's Foreign and Commonwealth Office for management training as an

intrinsic part of foreign aid. The course for the Ethiopian students was as taxing as that for any other student on the course, says Tony Stapleton, director of external affairs. Between running a fledgling economy against a background of tribal conflict they had to learn the basics of accounting, strategic management and per-

formance evaluation. The Ethiopian project is just one of many surprising facts about the Open University Business School. One quarter of all MBA students in the UK - 1,200 in this academic year -

business schools, based just outside Paris, has fewer than 450 MBA students.

The revenues of the OUBS are as high as that of IMD in Lausanne, in Switzerland, but the OUBS has 20,000 students, compared with IMD's 2,000.

The OUBS was one of just a handful of business schools to be awarded an "excellent" rating by the Higher Education Funding Council for its teaching. And the school is accredited by the Association of MBAs (Amba), the UK accreditation body.

But perhaps the most surprising fact is that 84 per cent of the MBA students who begin the course also complete it the norm for distance learning courses is often less than half "One of the problems is that if the individual isn't motivated the box will just sit there on the shelf," says David Asch, dean and director of studies. He believes the success of the OUBS lies in the fact that the the course and the delivery mechanisms, including video and computer messaging, have been carefully thought through. And that the modular

course structure gives students

TAKE ME TO YOUR OPEN UNIVERSITY. I MUST HAND IN MY ASSIGNMENT



the flexibility to take a break if, for example, they change

While other schools offer distance learning courses as an adjunct to full- and part-time courses, for the OUBS distance learning is the only method of

week to the course - tutorials. residential courses and home study. They are usually in their mid 30s, unusually old for MBA students. "What we did unknowingly I have to say was a very Open University thing," says Asch. "We opened up MBAs to people in the UK who had no access to them.

'The second thing we did, which wasn't really planned either, was to change the nature of MBAs. Now it's not just a qualification for young whizz kids at Oxford."

Those accepted on the MBA course have an honours degree and at least five years' management experience but they do not need to take the American Graduate Management Admissions Test.

But Asch is adamant that by popularising the MRA qualification he has not devalued it. "I'll put our MBAs up against any other school," says Asch defiantly.

"My starting point is that British managers are not so well trained as their European counterparts. If nationally we are to compete effectively then we need a better trained managerial workforce. The question then is how do you get it? You don't get it by messing about average of 10 to 15 hours a with 1,000 MBAs a year."

opened up business study to managers in the UK. Twenty per cent of students study outside Britain. Initially they were expatriate students in Brussels, but these days there are students throughout Europe including six centres in eastern Europe, where courses began

"What our tutors have achieved there is magnificent because the structure doesn't work," explains Stapleton. "We're very happy with the academic results."

In the eastern European countries the OUBS works with selected partner organisations such as universities. In Hong Kong, on the other hand the OUBS has opted to license its course to an open learning organisation. Although there are 45 MBA providers in Hong Kong, the Open University course, launched just last autumn, already boasts 30 per cent of the market.

Back in Ethiopia a further 100 people are now studying for an OUBS MBA and the fame of the course has spread to such an extent that last month a further 100 students began the MBA course in Ethiopia's neighbour, the inde-

# **NEWS FROM**

company clients

Companies wanting to serve their customers better are the target group for a week-long executive course developed jointly by Harvard Business School and Iese, the International Graduate School of Management, in Barcelona.

The course, to be held in Switzerland in May, is part of the "Achieving Breakthrough" series which is taught jointly by the two institutions. Entitled Turning customer service into corporate success". it intends to deliver greater imployee and customer loyalty and faster growth. Harvard: US. 617 495 6226: Tese: Spain. 3 204 4000.

Japanese accounting under the microscope

Two conferences which examine the differences hetween management accounting practices in Japan and the west are to be held in March and April at the Cranfield University School of Management in Bedfordshire.

The conferences will examine the widely held beliefs that short-termist the west inhibits the ability of companies to be global competitors and that accounting methods in Japan encourage innovation. Cranfield: UK, (0)1234 751122.

Rotterdam students get career planning

The Erasmus School of Business at the Rotterdam School of Management has appointed a new associate director of career planning. He is Tony Somers, a former language trainer, who has joined the school from his own consultancy business. RSM Erasmus: Netherlands, 10 452 9509.

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# Silver age palaces of pleasure

There is more to a cinema than a screen and popcorn, writes Colin Amery

ne hundred years ago this year, the first cinema opened in London. Last year, some 120m cinema tickets were sold in Britain. This surge in movie-going is, according to the film industry. due to the popularity of the latest multiplex cinemas. I suppose it is unlikely that many people go to the cinema to admire the architecture, but there is more to a cinema than screen and popcorn.

To mark the anniversary. there is an exhibition at the Royal Institute of British Architects (Heinz Gallery, 21 Portman Square, London W1) about the architectural history of the cinema, it is an expedition into an architectural fantasy world that seems almost as remote today as the Valley of the Kings.

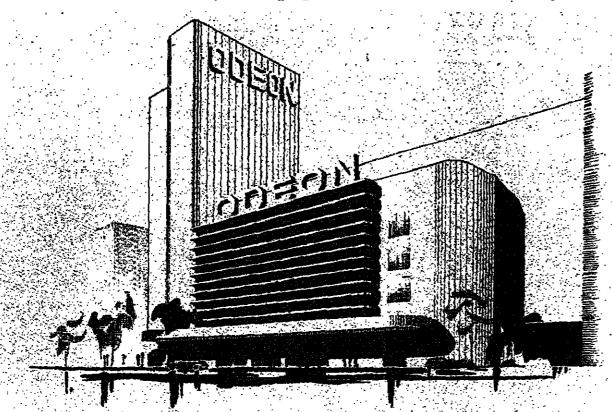
What is especially fascinating is to see how architects most of them now forgotten responded with such excitement to the challenge of buildis sad is the scale of the destruction of these palaces of pleasure in the latter years of the century.

The advent of television interrupted the halcyon days of the movie houses and many closed and were demolished. Today their extraordinariness is once again appreciated and some 90 cinemas all over Britain have been listed.

But what was it that made the early cinemas of the 1920s and 1930s so distinctive? were established in Britain by 1920, it was not until the mid-1920s that the "super cinema" arrived, much influenced by

The RIBA show has the marvellously evocative drawings of one of the first of these - the Regent in Brighton which opened in 1921 and was designed by Robert Atkinson. The plan was revolutionary, being the first fan-shaped auditorium seating some 2,200 people. The Regent was more than a cinema. It had two restaurants, a tea room and a dance floor on the roof. In its way it captured the romantic world of Rudolf Valentino - one where romance came before sex and life proceeded under permanently blue skies.

Atkinson was a great colour-



Odeons developed the idea of architecture as corporate advertising

ist, and he commissioned leading contemporary figurative artists to decorate the cinemas he was designing for the Provincial Cinematograph Theatres Company. In Brighton there were huge Della Robbia glazed panels that enhanced the main elevation. It was not until 1974 that this cinema was completely demolished. Brighton thus lost the one cinema that made you feel you were watching movies in a setting as fine as the Royal Pavil-

The other brilliant example of the 1920s' "super cinema" is the Astoria in Finsbury Park, north London, designed by Edward Stone. The interior was conceived as a huge Mediterranean courtvard. The whole ensemble of pantiled rooftops and whitewashed houses was beneath a domed ceiling upon which clouds were projected, swirling about as the stars came up.

Astoria survives. although it has had a chequered recent history, being rock concerts to its current use

as an evangelical church. Also surviving but now in use as a bingo hall is that great gothic cinema, the Granada in Tooting. This was designed by a stage designer, the Russian Theodore Komisarievsky, It feels as though you are entering the great portal of Rheims cathedral. The auditorium is full of soaring pinnacles and niches where there were paintings of wimpled mediaeval ladies watching their first moving film. In the 1920s there were cinemas in the Chinese, Indian and Egyptian styles.

However, the 1930s saw the rise of an architecture that could now be described as the cinema style. In Britain this was developed by the two big chains. Odeon and Gaumont, which were anxious to establish their corporate identities. Modernism had arrived in Britain, too, and a cinema like the New Victoria in London is very much influenced by the work of Mendelsohn and Poelzig to be seen at the time in

Apollo Victoria

The Odeon style was the creation of the Birmingham film fanatic and founder of the chain, Oscar Deutsch. He retained a Birmingham architectural practice. Harry Weedon and Partners, which developed the idea of architecture as corporate advertising. It was England's answer to Art Deco. Odeons spread all over England, as fast as McDonald's hamburger chain spreads today. All of them adopted a streamlined modern style, with interiors that were memorable for geometric carpet designs and glamorous ruched stage curtains. They even developed their own lettering - the hexagonal "O" for Odeon is as dis-

tinctive as any logo. Architects had a field day with cinemas, and only a few firms were employed. Harry Weedon in Birmingham enlarged his office from six to 140 employees in 18 months at the height of the cinema boom, and George Coles, who worked in partnership with Percy

60 cinemas. Coles's greatest work was the Gaumont State theatre in Kilburn. It opened in 1937 and was the largest cinema in England, with some 4.000 seats. With its tower, this ambitious building still stands, and is a landmark in north-west London. In turn, Coles's Trocadero at London's

Elephant and Castle stood out

as a haven of elegance. Unfortunately, cinemas have lost their romance, and with it their glamour, as well as the feeling that a visit to a moview-house was an occasion. The modern divided-up building with half-a-dozen tiny cinemas inside the space of a larger former one is an unattractive animal.

There is no space in which to circulate, no sense of a special occasion. The great Odeon foyers were impressive and stylish, like the old movies. Yet our concrete times need glamour even more. We will have to be vigilant about the remaining super cinemas, for we shall not see their like again in the next 100 years.

# Genius for rugby

Keith Wheatley on a force taking Bath forward



ager of the England rugby union team, there two were near-unanimous predictions. First, that the England side would start to play the kind of open, flowing rugby that Rowell preached. Second, that Bath might lose their total dominance of the club scene with the departure of Rowell

after 17 years as the club's coaching guru Yet one year on we see a very different outcome. England may have won at Murrayfield and spoiled Scotland's hopes of a grand slam. but their performance was universally condemned as a negative display of forward power and penalty kicking. To millions of fans it looked like 1960s rugby come back to

Bath, on the other hand, go from strength to strength. They are this season's favourites to win both the Courage league and Pilkington cup. Their brand of expansive, running rugby is a level above almost any other team in Britain, with the occasional exception of Sale and Wasps. Insiders say that much of

the credit should go to a quiet northern schoolmaster, Brian Ashton. He is in his seventh season coaching at Bath, but in the past year has stepped out of Rowell's shadow and accepted the spotlight. Ashton's vision drives the side.

"For the first four years I was simply coaching the backs," explained Ashton, before supervising evening prep at King's School, Bruton. in Somerset, where he is head of PE and teaches history. "But it gradually spread to trying to develop the forwards handling and running skills, plus decision-making. As our vision of the game began to catch hold and widen, we began to think our forwards should be doing more than pushing at scrums

and jumping at line-outs." This encompasses far more than encouraging beefy props to run faster and pass more

left how each player perceives his extraordinary. They won 11 role. "Traditionally in rugby. Numbers 8, 9 and 10 have been the decision-makers," says Ashton. "At Bath we tend to say: 'Look, if you've got the ball it doesn't matter what number you've got on your back. You're in charge of what happens next. And if you're stood next to that guy. you're responsible for ensuring continuity and flow in the

Ashton sees the key to Bath's ascendancy as the mid-1980s, when stand-off Stuart Barnes joined. Ashton had never encountered any player so competitive, so engrossed in winning, that it took the team to new levels of commitment. "Bath never want to stand still. That's now the root of the club's success. Now the players have got on a roll they'd just hate to be on a side that didn't win the double or whatever. It's a con-

stant challenge," he says. In his younger days he was a good scrum-half, on the fringes of the national side. He toured with England in 1975. "We've always tried to stay one step ahead of the game, but at the moment I think we're two or three steps ahead of most sides in the first division." he says.

Barnes, retired from playing and a writer and commentator on rugby, reciprocates Ashton's esteem, Says Barnes: "As a coach he would always come up with something original: throw the players an idea and ask them if they could make something of it. He certainly didn't have Jack Rowell's confrontational style of motivating people but is fantastic at asking questions that get a team thinking."

Ashton's style of going for minds rather than hearts shows in his enthusiastic appreciation of a recent campaign by his sixth-form pupils. At an early-season schools Sevens tournament, Ashton urged the Bruton side to see if they could go the whole 20-minute match without a kick.

Not only did they manage it but the boys unilaterally decided to adopt non-kicking as a 1st XV technique for the

When Jack often it goes to the root of rest of the term. "It was games out of 12, scored an average of seven tries per match and beat our old rivals King's College, Taunton, 37-8. We hadn't beaten them in 26 years," says Ashton.
"Although it obviously isn't years," feasible to 'ban' kicking in Division I rugby, I managed to convince the Bath players that this is the general direction we ought to be heading in, and we've begun to use some of the moves that the

boys developed." As top-level rugby union moves through its transitional stage towards full professionalism, Ashton comes closer to a personal dilemma Bath's team train on Monday and Wednesday evenings. Ashton gives them his spare time and somehow it all works. "If the players become full-time or even part-time professionals, I'm sure they're not going to want to train from 7pm to 9pm on a weekday evening in winter.

"They're going to want to get it out of the way in the morning, then go off to the office or spend the afternoon with their families and live a more civilised life. . . They're going to want a coach at the same times and that would mean a big change in my life.

"I love teaching, love contact with the youngsters. It keeps your own attitude fresh. I've been a teacher since 1969. I've never been a full-time rugby coach. I'm 50 years old and I haven't got many more miles left in me. Perhaps five more years at the level I am now.'

What will shape Ashton's decision is his belief that Bath have yet more to offer on a wider stage. "I wonder if the Courage league has served its purpose?" he asked. "The same four clubs seem to end up at the top of each division every season. It was introduced to shake up English rugby and improve standards, and it's done that now.

"The Anglo-Welsh league and the prospect of a European competition are all more exciting. The game needs new horizons and cultural challenges. There's no limits to how good we can be at Bath."

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# DEVELOPMENT AND IMPLEMENTATION OF REFORM MEASURES

Policy Review and Reform; establishing an effective management information; rationalisation and promotion of civil service training and skill upgrading; establishing organisational capacity for privatisation and creating and strengthening institutional and legal framework for privatisation.

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# MEDIA FUTURES

As Japan's commuters consult the first palmtop electronic daily, William Dawkins in Tokyo and Martin Mulligan in London find the newspaper industry strangely sanguine. But even weirder stuff is on its way, says Victoria Griffith in Boston

Hold the liquid crystal display!

he portable electronic newspaper has burst free of the pages of sci-ence fiction and become a reality in Japan, write William Dawkins and Martin Mulligan. The Mainichi Shimbun, Japan's third largest selling national daily, has launched what it believes is the world's first pocket-sized computer newspaper, and is confident that it will reach its target of 50,000 subscribers within the

year. The electronic Mainichi

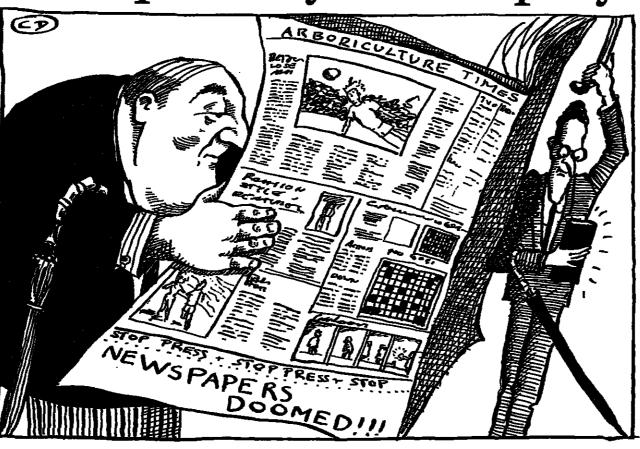
already says it has more than 1,500 readers, increasing at a rate of more than 200 daily. The electronic Mainichi can be received in Japanese five days a week by modem on a Zaurus palmtop computer, made by Sharp, the electronics company. A simple menu enables readers to download and store news stories. These can be filtered according to personal interests, to be recalled and read - one-handed, if

necessary - on the crowded

subway journey to work The electronic Mainichi is updated at 5am and 5pm, or more frequently for big breaking stories, so that the young office workers seen as its target readership can refresh their Zauruses before leaving for work in the morning and prior to returning home. The Zauruses can pick up their news implants via telephone,

mobile or public call box. The electronic Mainichi is by no means a full version of the dead-trees newspaper. Via Nifty Serve, a Japanese information service network, the Mainichi has made available between 150 and 200 stories per day at 150 words each. A typical selection of 18 pieces takes about three minutes for the Zaurus to download on its 2,400 bits per second modem, says Takuya Kikuchi, Mainichi's deputy manager of information

development. Like other personal digital assistants, the Zaurus has a Filofax-sized monochrome screen, on which short news stories are relatively easy to read. A better service will be available within a year when Sharp launches a colour-screen Zaurus able to show pictures. For most readers, the elec-



tronic Mainichi will be a more expensive - even if more convenient - way of receiving their news than spending Y110 (68p) per day on picking up a dead-trees version at a kiosk.

The basic electronic service costs Y500 per month, plus Y10 per minute telephone charge and subscription to Nifty Serve. Then there is the Zaurus: Y93,000 for the latest model. It does nearly everything that a laptop can do.

Despite the relatively high

cost to readers, the economics of the electronic service seem certain to arouse interest within Japan's vigilant newspaper industry. There are 800,000 Zaurus owners in Japan, and the newspaper's Takuya Kikuchi reckons that the service, to which 10 staff have been allocated so far. needs only 10,000 readers to show a profit. Mainichi's hid for electronic

readers among Zaurus users makes observers wonder whether a similar service may work in other countries, such as Britain, which has a high number of palmtop owners. Foreign newspaper magnates may soon take an intense interest in Tokyo commuters'

reading habits.

D ut is Japan's fast, Byoung, commuting newspaper readership representative of the rest of the world? Roger Fidler a founding father of the electronic newspaper concept, who developed a prototype for Knight Ridder in Boulder, Colorado, thinks that only a particular kind of reader wants frequent news updates. Others

- perhaps the majority would be uncomfortable with updates throughout the day. 'It would make people feel they're always missing something," says Fidler.

Reader resistance and established habits are obstacles in most places. But the holy grail of the truly electronic newspaper appears to be drawing nearer as computer ownership rises internationally and production costs plummet.

The newspaper, nevertheless, remains the ultimate random access information provider, and its role clearly goes beyond even that, as a source of entertainment and analysis. There is even evidence globally that, far from eroding readerships and sounding the death knell for ink-on-paper versions, electronic technologies of all kinds are stimulating book and newspaper sales.

UK newspaper proprietors nevetheless have their antennae tuned to developments in Tokyo. Hugo Drayton, electronic publisher and marketing director at Conrad Black's

Telegraph group in London, predicts that "at the margins and in the longer term, [palmtop technology] will have an effect on dead-tree readerships. but not in the next five or ten years". Just now these technologies appear to be giving a fillip to the industry. People reading the Net version of The Telegraph, for instance, are new readers - "people who wouldn't normally read us".

savs Drayton . A source at Rupert Murdoch's News International. who did not want to be named, said that "although the industry is not quaking in its boots, it takes the challenge of these new information delivery mechanisms seriously". But not too seriously. In London, the Murdoch-owned Times and Sunday Times, which have invested in Net sites and boast 120,000 registered users, still lack a palmtop pilot project.

# Tim Jackson

# Brokers tremble as E\*Trade takes off



between America's discount brokerages to a new pitch.

Last month, E\*Trade launched a service to allow customers to deal in stocks, bonds and options using the World Wide Web of the Net. The Net allows orders to be filled without human intervention: bargains are struck

to raise the competition

entirely by computer. E\*Trade is not the only brokerage that allows customers to issue buy and sell instructions on the Web. I know three others; there may be more. But the company is interesting for at least two

One is its prices. At a flat rate of \$14.95 (£9.70) per deal on the New York exchange and \$19.95 on Nasdaq, E\*Trade's broking charges are probably the lowest in the business, with the exception of deep discounters who offer unlimited trades for \$800 a year. That is certain to put pressure on the discount brokerages which have per-suaded millions of US investors to give up long-standing relations with a single broker in favour of a low-cost dealing system in which they talk to a different 23-year-old every

time they call.
The other interesting point about E\*Trade is its background. By pedigree, it is neither a retail brokerage nor a Web design house; it is a technology firm that developed online products for companies such as Schwab and Fidelity, and has operated its own online broking channels since 1992 through America Online and CompuServe, and via direct telephone modem link. The great strength of

Your broker E\*Trade's Web site is that it is simple. Orders are entered using a one-screen form; balances, transaction histories ner headline and portfolio valuations are equally easy to obtain. There is no handbook to read, no floppy disks to send off for, no set-up fees to pay, and no strange software to learn.

Part of this simplicity is no doubt due to Pam Kramer, a former Salomon Brothers employee who came to E\*Trade from a consumer software company where she developed computer programs for children. Kramer, who was responsible for the site design, boasts happily that a customer can buy stock on her system using only two mouse clicks, while a competitor's Web site requires seven.

Two refinements are likely on the site (http:/www.etrade.com/) in coming months. Context-sensitive news will allow a customer interested in button to check for the latest news on it. And passive e-mailing will allow customers to receive information about news or changing prices without connecting to

the company's Web site. Kramer says E\*Trade's products appeal, predictably. to early adopters. Three-quarters of customers have two or more university degrees. Their median age is 40, which for US retail investors is young. They are also active traders: a substantial proportion of users of the new Web service buy or sell three times a week.

The service carries risks. In amateur hands, the temptation to deal often may prove so great that customers churn their portfolios throwing away in market spreads what they have gained in broking discounts.

But E\*Trade's move illustrates the Web's growing momentum as the delivery mechanism for a wide range of products and services. According to Kramer, most customers want to trade from the office. In many US compaby phone or via a proprietary online service.

Web-based broking may prove a good case study of what the Net can do to a service business. The Net removes intermediaries, allowing a company that possesses an underlying technology to jump over others that have cultivated relations with

end-users. phy irrelevant: E\*Trade's 200 employees, all based in Palo Alto, can serve not only all American states but also customers outside the US, who at present pay high fees to deal in US stocks.

The Net removes economies of scale. E\*Trade will not say how many customers it has. though I believe the figure is a little over 60,000. Yet its technology ownership and its low cost base may allow it to compete with the Schwabs and Fidelities of this world, which are two orders of magnitude larger.

An illustration of how the Net equalises big and small firms can be seen in advertising. E\*Trade booked radio ads and two pages of The Wall Street Journal, and paid \$15,000 for a slot on the Netscape Web site. But its most valuable source of new clients so far is a recommendation from best-of-the-Web services and search engines.

There are only two respects in which E\*Trade makes an odd Net business. One is that the ceo of its holding company, Bill Porter, is 67, with about three times as many years' business experience as the average Net ceo.

Another is that the company believes there are barriers to entry to its market. With 1m lines of code and \$12m of equipment, E\*Trade's system will take more than a weekend's work to imitate. The need for regulatory approvals from exchanges. and from each state, will also slow the competition down. Tim Jackson's Web site is http://www.po-

# Digital ink grants every whim

curl up with your computer in an armchair the way you would with a good book, thanks to work at the Massachusetts Institute of Technology's Media Laboratory, writes Victoria Griffith.

Researcher Joseph Jacobson has come up with a method of embedding particles in paper to make what he calls an "electronic book", and plans to have a prototype ready within 18 months.

The device would pack a big memory - Jacobson claims it will be able to store about 500 works of several hundred pages each - and have the weight and feel of a traditional, ink-on-paper book. Text could be taken directly from the Internet. According to Jacobson, it would take just one minute to download a work like Moby Dick.

The technology means that a library of books or other written material could be contained in a single electronic volume. When a button was pressed, the electronic ink inside the device would be transformed in seconds, turning a copy of War and Peace, for example, into The Client.

Paper is not the only possible medium. Jacobson also sees demand for print on ultrathin acrylic sheets. "That way you could take the book to the beach and not worry about getting it wet," he says.

If everything goes to plan, analysts say the new product

could transform the multime-

Cyber

sightings

Baltimore investment

management firm T Rowe

Price (www.troweprice) has

put up a very nice site, with

simple, effective graphics and

lots of information. It has

mutual fund and retirement

investment data, plus daily

market updates and weekly

summaries. Good links also to

other investment-related sites.

· After my six year-old's

recommendation of the Disney

site last week, I have no

qualms about including

dia revolution. It also has profound implications for journal-Infobahu cruisers have two

it is hugely tiresome to read things on a screen; second, that computers are not as portable as books, magazines or newspapers. "These hurdles have yet to be cleared to make the multimedia reading experience enjoyable," says Edward Julian, a multimedia analyst at International Data Corpora-

common complaints: first, that

Books have other advantages over computer screens as well. They can be thumbed through in a way that is difficult to do with text on a screen. And readers can make notes in the margins of books far more easily on paper.

The electronic book project, which is being designed for commercial use, is being funded by Gruppo Grauso and the Things That Think Consor-tium, which funds much of the Media Lab's work. Jacobson says the volume will probably retail for about \$2 to \$4 per reusable page. He is not the first researcher

to tackle digital ink. In 1962, scientists came up with particles that could be flipped with magnets to create different designs, while in 1977 Xerox embedded electronic particles on thick rubber sheets. These inventions were seriously flawed, however. The resolution of the ink was poor, making the print difficult to read, and the media were too thick and bulky for the electronic

ink to be of much use. Liquid crystals – used in standard laptops – are a form of digital ink that transformed the computer market, allowing for smaller, more portable devices. Liquid crystals are

FAO Schwarz's site (http://

faoschourz.com) allows you to

browse its catalogues and see

the most up to date toys.

They're "serious about play".

Details of Intelligent Envi-

ronments' Amazon Web

server, with the implications

for interactive client-server

applications, can be obtained

Oxford-based Preepages

(www.freepages.co.uk) has

designed its database system

to be one of the most compre-

hensive UK classified business

directories". Searchable, and

able to pinpoint the nearest

Benetton launched its new

site (www.benetion.com) "vir-

tually last Wednesday. The

server was unobtainable most

of the next day, perhaps due

to heavy usage. It has Press

ites. Famous US toy store releases, catalogues and ad

business or service provider.

from www.ieinc.com

unstable, however, and need thousands of transistors behind them providing a constant electronic charge to keep the molecules in place. For that reason, they cannot be used on a surface as thin as

Jacobson says the particles he has created for the project are small and stable enough to be put on paper. The particles, at 40 microns, are essentially bi-coloured spheres that can be rotated through small amounts of electronic charge to create different patterns, which give the illusion of ink

Jacobson admits there may be some problems in applying his technology. One question is how to deal with the copyright on electronic books. One of the first uses may be to download from the World Wide Web 500 copies of presecond world war titles," he says. "That way we wouldn't have to deal with royalties."

Vith time, though, Jacobson believes the copyright issue can be handled. The scientist suggests a device that signals a publisher when a book is called up electronically. A fee could then be levied via credit card. Jacobson also foresees early applications for lawyers. who need to review enormous amounts of documents. "We could come up with a way to store margin notes in the book's memory, so that attorneys could mark up the docu-

ments," says Jacobson. The printing industry is interested in the technology. We could see a demand for

campaigns from the clothes company that loves to shock.

is a guide to systems selection

and implementation by Tate

Bramald, the London-based

accounting systems integra-

tors. The site (www.global-

net.co.uk/ tatebramald) gives advice on how to avoid the

pitfalls connected with

• Dutch brewer Amstel has

set up the Riversite Cafe

(www.amstelnl), where you

can sign up for a quiz to win

tickets for the Uefa Champi-

ons' Cup final. A fun site, but

those yellow backgrounds are

a bit too much if you've been

upping the company's profits

• In like vein, the technicol-

our mish-mash that is the

Club 18-30 site (www.sub-

systems projects.

the night before.

From one sin to anoth-

... The Seven Deadly Sins

tables geared specifically to certain students, for instance, says John Tanelli, senior vice-president of technology at printer R R Donnelley. "The textbooks could be altered and

updated more easily." The electronic book has profound implications for journalism as well. Presumably it would be available at magazine-thickness. Instead of buying a newspaper at a local stand, readers could download it every morning from the Internet on to their digital pages, then stash them in their briefcases to read on the train. The magazine might contain in its memory not only the most recent edition, but past versions as well.

However, the Media Lab's project faces some significant hurdles. It is still uncertain, for instance, whether the resolution of Jacobson's particles will be high enough to make them as readable as ink on paper. Even if it is, sceptics say the lack of interactivity will be a severe drawback. "The reason people read us on the Internet is because they can interact with the paper, 'talk' to the editors and things like that," says John Lux, online editor at the Chicago Tribune. "If there's no interactivity, there's no advantage over buying the paper at the local store."

Others disagree. "If people wanted to be interactive all the time, books would be dead," says Edward Julian of IDC. "Even if there is no interaction, there would be a lot of applications for this sort of hnology."

net.co.uk/subinfo/18-30) is exactly what you'd expect after the Limbo Dance While Drinking a Pint of Sangria Contest.

• The Creative Incentive Coalition (www.cic.org), including many large US media and publishing associations, has a site for visitors to learn about copyright in cyberspace, and to collate information on copyright legislation. A site well worth a

steve@mcgook.demon.co.uk





FINANCIAL TIMES

# WORLD STEEL

- Towards a Truly Global Industry?

# London, 21 & 22 March 1996

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World Steel

European steel — free trade or fair trade? SPEAKERS INCLUDE: Dr Johannes Sittard

> Ispat International (UK) Limited Mr Ronald R Schuster Director of Steel Purchasing for North American Operations

**General Motors Corporation** 

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# **BUSINESS TRAVEL**

offecting and returning a hire car is a notoriously irritating business. Not only is there a mass of paperwork covering insurance. licences and credit card payment. but there can be lengthy delays while the vehicle is checked for mileage, petrol consumption and

Stimulated by the rivalry in one of the most competitive sectors of the business travel market, car-hire companies have been working on ways of cutting transaction time for their customers both at the begin-ning and end of the rental process.

Some offer a priority collection service which involves booking the rental over the telephone or computer and simply picking up the keys in exchange for showing your credit card. On return, many car-hire companies equip their employ-ees with organiser hand-held computers to register return information as the car arrives in the parking lot.

The car-hire industry is poised to go a step further, and is evaluating technology developed by, among others, Texas Instruments. Using the new system, returning drivers will simply have to drive over an electronic pad in the ground.

This will record not only the vehicle registration and identification numbers, but what time the car returned, how many miles it covered, and how much petrol was left

This is possible thanks to the transponder - a computer chip that responds to radio waves rather than direct contact. Under the system each car would be fitted with a transponder which would be read by an antenna loop in the pad

http://www.britch-airways.com

# A drive for technology

Competitive car-hire groups have found a reason to co-operate, says Amon Cohen

If implemented this could save a great deal of time. John Allen, project manager for the British Vehicle Rental and Leasing Association, says it might soon "not be necessary for a driver to do anything apart from park their car and get

The transponder will also eliminate arguments, especially at locations where there is no attendant and drivers are obliged to fill in details and leave them in a

"With this technology, there can be no dispute over the accuracy of return time and data," says Allen. So far, no car-hire company has bought the technology, although Avis has "flirted with it" in the UK and Italy, according to Chris Fisher, Avis Europe's director of planning and analysis.

In the US, Alamo Rent A Car has also investigated transponders, but does not intend to introduce them

this year, says Gillian Shearer, senior sales and marketing director. However, the chances of introducing transponders now look better than ever thanks to an initiative from the the UK rental and licensing association and the European Car and Truck Rental Associa-

But customer service is not the main reason for pressing ahead with the technology - companies are concerned about security, which

when the car is driven over it, is why they are prepared to cooperate on the issue

According to David Hislop, sales and marketing manager of Texas Instruments Registration and Identification Systems, tough security systems are necessary because of a particular feature of the car-hire

"Car-hire companies are unusual because they are giving a very valuable asset to people that they know very little about." he says. This trust has been breached in recent years, with a worrying tendency, in particular, for cars hired in western Europe to be smuggled outside the European Union to eastern Europe, normally through Poland. Transponders may be the solution

to the problem, and the licensing association met Texas Instruments and Customs and Excise recently to discuss the issue. Texas Instruments is proposing to fit antennae at every port and customs post in the EU, where officials would be equipped with computers which could alert them when a car authorised for travel only in the EU tried to cross the Union's

Such a measure would frustrate thieves and ultimately, says John Allen, prevent car-hire tariffs from

Nor would criminals be able to had hidden it in the car," says circumvent the problem by remov-ing the transponder chips from Another security measure being cars. "A transponder is only the size considered is the use of transpon-

ders to immobilise rental vehicles of a 5-amp fuse, so they would be hard-pushed to find where we Many new vehicles are already fitted with these devices; a chip in the key head prevents the operating system from functioning unless the correct key is inserted. In a rental

vehicle, a transponder could be used to immobilise it after the hire period has elapsed.

As a bonus, car-hire companies could also use transponders to eliminate internal fraud. If an antenna pad were placed near company petrol pumps, only authorised vehicles—not staff cars—would be able to draw any fuel draw any fuel.

With so many apparent benefits, one might expect transponders to be fitted in every hire car by the end of next week. After all, the technology is there, and is similar to the systems being considered by the UK government for use on pri-

vate toll roads.

The stumbling block is that capital costs may prove prohibitive: Malcolm Kyle, security manager at Hertz UK, who is also on the licensing association's security committee, says transponders could be "a solution to a big problem.

The European car-hire industry is losing large amounts of vehicles every year. But we are talking about fitting transponder technol-ogy at every border post, every port and every rental vehicle," adds Kyle. "There are 1.5m [hire cars] on the road in Europe at any one time, and most hire companies replace their fleets after less than a

Despite that upbeat assessment, there is no guarantee that transponders will be introduced. In the meantime, however, civil liberties campaigners may start consid-ering other implications of tran-

If they were installed at all frontiers and goodness knows where else, would we be happy that computers were tracking us wherever

Guard offer for Russia

pared to provide armed bodyguards for British visitors to Russia, it was revealed last week. The news follows the death of Scottish lawyer John Hyden who was canght in the crossfire of a shooting in a St Petersburg hotel last The Foreign Office in London has

already warned tourists to Russia arready warned tourists to kussia to exercise caution, especially in Moscow and St Petersburg. "We can and will provide armed body-guards if they are asked for," said Mike Chandler, chairman of Rus-sian specialist tour operator Worldmark Travel Keith Betton, head of corporate

affairs at the Association of British Travel Agents, said that indepen-dent or business travellers to Russia were most at risk.

Travellers are warned to be vigilant, to dress down - and to keep jewellery, watches and cameras out of sight. Visitors to Moscow should be especially wary of groups of

young vagrants.

The airport at Hue, in central Vietnam, will be closed for three months from April 1 for a £1.9m renovation and extension of the runway. Passengers can fly to Da Nang and be bussed to Hue.

# DONTBESILLY ELECTRONIC SANDERS, HOW WILL CARHIRE THE BOSS EVER RETURN FIND THAT OUT? MILEAGE \_\_\_ CONSUMPTION DAMAGE DETOURTO PLINTIE IN SWINDON

# The new Club World cradle seat. Lullaby not included.

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# **BRITISH AIRWAYS**

The world's favourite airline

# Travel News · Roger Bray

Pressure on US fares

Air fares to and within the US look likely to come under increasing upward pressure. European airlines reported record north Atlantic load factors for the 10th consecutive month in

January, and US domestic airlines are turning in profits again after nearly piling into a black hole. The Association of European Airlines says north

Atlantic flights by members, which include British Airways, Air France, Lufthansa and other large airlines, were on average 64.1 per cent full in January. which is usually a slack month. Traffic across the Atlantic rose by 8.7 per cent,

in spite of the blizzards on the US east coast. Research by Reed Travel, which publishes the Official Airline Guides, contains yet more cautionary news. The number of airlines going bust in the US last year exceeded the tally of new ones. Big carriers desperate to cut costs have pruned or partly absorbed their franchised commuter operations. Some small operators, not sheltered which the large carriers

afford, have been dropping by the wayside. When the dust settles. travelling will be more predictable, with services less likely to vanish overnight. The downside: softer competition and fewer spectacular bargains.

Sharp electronic eve Big Brother may be watching you. Travellers tempted to switch airlines or pump up hotel spending - either to ensure an upgrade or earn more frequent-flyer or loyalty points – beware. Travel agency Carison Wagonlit is developing software which will flag a warning when people are infringing travel policy. Nobody knows how much

UK companies, for example, spend unwittingly indulging executives' travel comforts and perks, but some agents estimate it could be as much as £200m a year. As Richard Lovell, UK managing director of Carlson Wagonlit, points out, some companies are stricter than others. However, he believes the impact of employees trying to earn additional airline

points is relatively slight. Agents booking executives routes with the same end in mind would quickly forfeit business. His company's

allow travel managers to spot offenders even before they take a taxi to the

Cheaper way to Jo'burg Cut-price alternative on the London-Johannesburg route: Bluebird Express has got permission from the South African government to sell charter seats at either end of the route without dressing them up as package holidays. It may also offer single fares. A 10-day advance purchase return in Caledonian

Airways' Highland first class costs £719 - the single fare is £455. There are two round-trips a week from London Gatwick on Mondays and Thursdays. Seat pitch is 38 inches, That compares with about 44 inches with South African Airways, where the lowest business class return fare is £2,090; and 50 inches in British Airways' re-vamped Club World. The lowest fare with BA in Club World is £2.235.

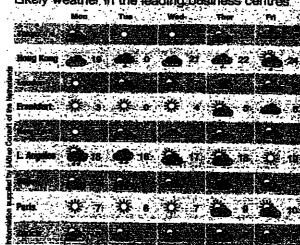
Paris prices held restaurants can be nainfully expensive. So it is heartening to see that at least one exalted Paris restaurant has held its prix fixes in check. The new edition of

Michelin's red guide to France elevates Arpege in the Rue Varenne, in the seventh arrondissement. from two stars to three-star status. Specialities include smoked chicken with foie gras ravioli. And for the time being, at least, its cheapest set lunch costs the same FFr390 (£50.51) as in 1994. Les Elyseés at the Hotel Vernet, in the eighth arrondissement's Rue Vernet, has been given two

Useful one-star additions outside Paris include Michel Sarran in Toulouse, handy for those with Airbus contracts, and two in Troyes: Auberge de Ste-Maure and Clos Juillet.

Strong stuff That most delightful of hotels, 42 The Calls, in central Leeds, lists its cellar contents on labels stuck to three-litre Côtes de Blaye bottles from Bordeaux, which are put in the hotel rooms. "We asked the suppliers to fill them with coloured water," says conference and sales manager Helen Tremlett, "but it was cheaper to buy them full of wine."

Likely weather in the leading business centres



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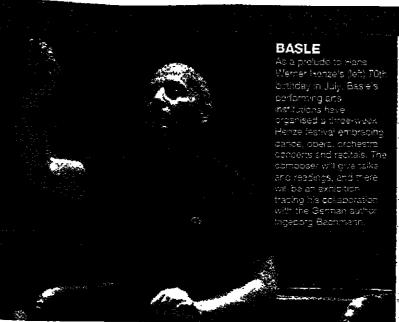
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esecucomes to e starting toxight at the Cylic Opera House The Chicago Droduction: conducted by Zubin Metiter staged by August Evertility and designed by John Copking bridge topened meny of the world's leading Wagner angers, including strijers, incluting dames. Morris Stegitted Jerusaterp and Mark! Salmmen! The second opcie! is the one to go far—with Jame Eaglen sanging Brusshilde.



ARTS

BUDAPEST Since it was first held in 1981, Budapest's Spring festival has developed into Hungary's biggest arts

event. The 1996 programme, opening. on Thursday, features the Cleveland Orchestra, the Martha Graham Dance Company, the Budapest Festival Orchestra and staged performances of Wagner's "Parsifal".

CANBERRA

Two of Australia's leading museums have pooled their resources to mount a retrospective of J.M.W.Turner. Comprising 100 of the artist's finest works in oil and watercolour, it opens at the National Gallery of Australia in Canberra on Saturday, and moves to the National Gallery of Victoria in Melbourne in June. Of particular interest are Turner's two paintings of the spectacular fire that destroyed the Houses of Perflament in 1834

LONDON

Sam Mendes's (below) acclaimed. staging of Stephen Sondheim's "Company" transfers from the Donmar Warehouse to the Albery Theatre on Wednesday, joining Mendes's Donmar staging of "The Glass Menagerie" in the West End

(at the Comedy Theatre). The cult play of the cuft novel "Trainspotting" (not to mention the cutt film) transfers on Thursday to nother West End theatre, the Whitehall, The adaptation is by Harry Gibson. Invine Walsh is

very much in the public eye; his subsequent no "Marabou Stork Nightmares\* has recently taken to the stage at the Glasgow Citizens Pienist Chick

Corea (inset: : ' dght) opens Jazz at the Berblcan tonight, with a quartet which features saxist Bob Berg. Later in the month there are concerts by Andy Shepperd (right) Surman, The season closes with a rare UK date, in June, for ringing planist Oscar Peterson



# Riace bronzes back on their feet

High-tech meets ancient Greece in Reggio Calabria. Robert Graham reports

Italy's most unlovely cities hosts two of the country's most stunning works of art. The city in question is Reggio Calabria, which was near levelled by an earthquake at the turn of the century and where hideous recent building has broken every rule in the planning

But a visit to Reggio's archeological museum will instantly erase these unappealing surroundings. The museum houses the so-called Bronzes of Riace. These are two of the finest and best-preserved bronze statues to survive from the Greek classical period, which were fortuitously found embedded in sand off the Calabrian coast near Riace by an amateur diver in 1972.

The grace and sheer presence of these extraordinary male figures (to say nothing of their sensuality) made them instant celebrities. Requests to exhibit them round the globe flowed in, including for a special guest appearance at the Los Angeles Olympics.

However, these 2500 year-old statutes - probably representing Greek heroes - have only left Reggio once. This was for a five year-long restoration in Florence which lasted until the end of 1980. Advantage was then taken for their brief exhibition first in Florence, then in Rome where they enjoyed the rare honour of being displayed in the presidential palace.

The statues have just undergone a second and more complex restoration and conservation treatment. But now they are back on display in a spe-cially controlled protective environment and balanced on innovative seismic proof stands because the danger of earthquakes in Reggio remains

serious. The second restoration was necessary because during centuries on the seabed the casting core inside the statues had absorbed substances harmful to conservation. Some 60kgs of earth was eventually extracted from each of the two statues.

More importantly, the cleaning process provided archeologists and scientists with precious new knowledge about Greek methods of casting bronze and statue-making. Indeed, the discoveries have opened up a new debate on

existing theories about how

n a neat paradox, one of the great Greek bronzes of the 6th-4th centuries BC (with such master sculptors as Phideas) were produced.

Until now, scientific knowledge of Greek bronzes has been exclusively related to the external surfaces. Thanks to funding and the technical assistance supplied from an array of companies within the Finmeccanica group (a statecontrolled holding company), extensive "internal excavation" was possible.

Borrowing from medicine. scientists developed endoscopic techniques to poke around inside the statues. By laying the statues flat on "hospital beds", it was possible to penetrate their bodies through holes in the soles of their feet using thin articulated metal arms. Mounted on these arms were micro-television cameras and ultra-sonic cleaners (like those used by dentists).

he introduction of micro-television led to an extraordinary revelation. The cameras showed the sculptor/sculptors had made the inner casting cores from hundreds of thin slabs of clay mixed with animal hair, proba-These slabs, rather like strips of lasagna, had been wrapped spirally around internal iron bars, which formed the "skeleton" for the statues.

Although archeologists are not completely certain, this suggests the statues were created by free-hand modelling. In other words the sculptor did not start with a clay model which was then reproduced by a system of moulds of individual sections of the body as originally thought. Instead the artist made a non-reproduceable model which was then coated in wax prior to casting. No Greek author refers to this technique, which was not

adopted until Cellini during the Renaissance. The casting process itself was done in sections, and then subsequently joined. The cameras also showed just how

sophisticated the joins were. But if it is now clearer how the statues were made, the fig-ures' identities are still shrouded in mystery. Dating techniques place one statue around 460-50 BC, the other some 20 years later around 430-410 BC. One theory has

them representing two famous Athenian warriors at the battle of Marathon transformed into heroes - the height and proportions of both being exaggerated above the scale of the human body to emphasise their heroic nature.

The quality of the workmanship suggests them to be part of a group of statues made by several artists for the first monument in Athens commemorating the victory of the Athenians over the Persians at Marathon. The likely artists were from the circle of Phideas, perhaps one by his son another by a prominent pupil.

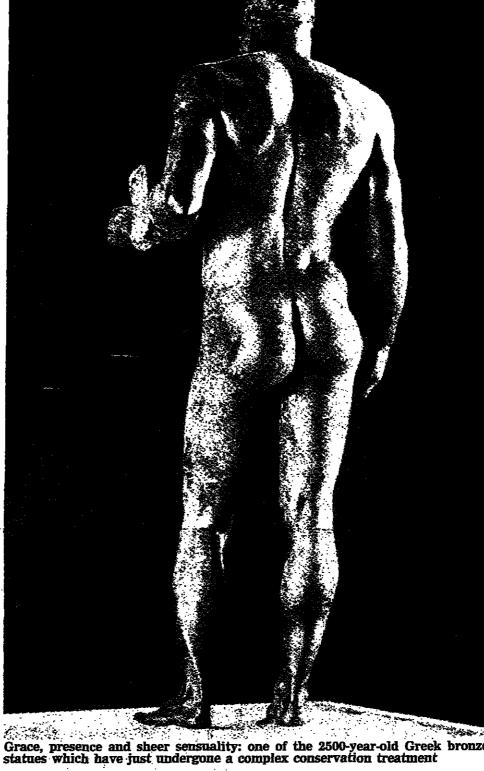
A second theory has them simply as heroic figures of the Greek classical period. This makes it easier to explain why the statues were to be found in the waters of the Ionian Sea far from mainland Greece. But were they being transported from Greece to Magna Grecia? Or were they already in Italy as part of war booty and being transported from one place to another?

Investigation at the time of discovery and subsequent searches has provided no positive sign of a ship-wreck. Thus the statues could even have been dropped overboard during bly to give greater strength. a storm. Furthermore the simihave been an early example of the Romans' predeliction for the antique trade, with a merchant anxious to show how it was possible to reproduce the likeness of a Greek hero.

The visual splendour of the statues, combined with their fascinatingly incomplete history, has placed the Riace Bronzes among the most important objects from antiquity in Italian museums. However, they remain very inacces-

Legislation regulating Italy's cultural heritage stipulates that objects must be displayed in the region where they are found - regardless of their provenance. In the case of Riace, the nearest museum is at Reggio, which already had a good collection of Hellenistic and Roman objects. But Reggio sits on the toe of Italy, too far away and too expensive for the bulk of the Italian public and tourists to contemplate visiting. Of late fewer than 100,000 people have been going to see the bronzes each year. Though visible almost con-

tinuously throughout the resto-



Grace, presence and sheer sensuality: one of the 2500-year-old Greek bronze

autumn on some months was compares to the long queues when on display in Florence and the 18,000 a day during their brief sojourn in

Such contrasting attendances has led to pressure for the Riace Bronzes to be transferred to a more central loca- number of international insti-

ration process, attendance last tion like Rome. But Reggio, the scene of bloody riots in the down to a mere 4,000. This 1970s protesting over being treated as a backwater, is unlikely to relinquish the

Bronzes of Riace. The only way to make them more accessible is thus via travelling exhibitions. The recent restoration has made this technically possible, and a

tutions have already voiced an

In the meantime the lessons and techniques developed in the "internal excavation" have been placed at the disposal of the Greek authorities. But to profit, the Greeks will have to find funds or generous sponsors like Finmeccanica, which spent over \$2m on the Riace

# Opera in Geneva/Andrew Clark

# Mozart all at sea

lost her touch? Her first Geneva season had to be put together quickly in some haste. but this hardly explains the faux pas of L'Italiana in Algeri last autumn and now Die Entführung aus dem Serail. Each fell victim to a misguided production idea and weak musical direction. What passed muster in Lausanne – where Auphan spent 11 years before moving to Geneva last summer – is not necessarily good enough for the international spotlight.

Dieter Kaegi's production of Entführung beggared belief. It was set aboard a 1950s luxury cruise liner, which had no more connection to Mozart's Turkish setting than Geneva does to Constantinople. The Pasha was a rich playboy; his "harem" consisted of male and female guests who divided their time between the ship's bar, the swimming pool and the promenade deck, where they approvingly watched the Pasha force his unwelcome attentions on Konstanze. A photographer snapped everyone as they boarded during the overture, and the "abduction" was attempted in a dinghy slung over the side. The libretto had been altered to suit this scenario, so it was never clear what Belmonte or

as Renée Auphan Blonde were doing on board. Balancing innovation with respect for the composer is never easy, but a few basic principles need to be followed. One is that updated settings must remain true to the situations of the original. Another is that the staging must cohere with the music. On both counts, the Geneva Entführung fell flat on its face. Mozart's music speaks eloquently of a clash of cultures - but apart from the rude sound of the ship's horn, the only cultureclash here was an anachronistic Osmin in turban and baggy trousers. The libretto speaks of fidelity, tolerance and forgiveness - but this production

spoke only of trivialities. William Orlandi's expensive shipboard settings were calculated to create an "effect", and the Geneva audience duly applauded. But they swamped the poor singers, who might as well have been reciting "A Life on the Ocean Wave". As Konstanze Mariella Devia struggled in vain to throw off the image of a frigid frump – though she has the vocal equipment for the part. Bruce Ford's Belmonte was bland and poorly projected, and Günter Missenhardt's Osmin has seen better days. None was helped by Dietfried Bernet's stolid

# Jazz/Garry Booth

# Gurtu's secret weapon

axophonist Jan Garbarek plays Lap folk songs on one record and against Gregorian chants on another; pianist Bheki Mseleku owes as much to the South African township as he does 52nd Street; hypnotic hip-hop and reggae drum patterns are now the backbone of Courtney Pine's work. Is jazz becoming the miscellaneous tray of music? Or is the art of improvisation extended and enriched by the sound of didgeridoos and Gambian thumb pianos? Yes, in safe

The Indian percussionist Trilok Gurtu, who last week embarked on a European tour at the Festival Hall, takes "crossover" a stage further by making his exotic orchestra of percussion the focus of a small group. Where lesser percussionists might sound over-exposed centre stage, Gurtu leads through sheer exuberance and firepower. He squats on the floor surrounded by cymbals, gongs, shakers, rattles and sticks; a modified snare drum and high hat are used for conventional rhythm accompani-

ment. The secret weapon is the tabla; Gurtu's first instrument, which he started on at the age of six.

Billed as the Crazy Saints -Andy Emler (piano), Dave Gilmore (electric guitar) and Chris Minh Doky (bass) - the quartet makes a sylvan form of iazz rock which is marked by sharp mood changes. While Gurtu rummages among the shells and husks which make up his shakers, heroic guitarist Gilmore works out a serpen-tine solo feature which verges on the heavy metal. By changing to snare and cymbal, Gurtu turns the group dynamic on a sixpence to colour a sonorous and sensitive double bass excursion from Minh Doky.

Absorbing though Gurtu's colouring is, blistering tabla work is what the people want. The 44-year-old squeezes an extraordinary range of sounds from the Indian classical drum. Even as the beats-per-second meter approaches the red line. Gurtu raises the percussive effect by simultaneously scatting a clacking vocal counterpoint. Jazz rock fusion needs a new voice and Gurtu has got it.

# INTERNATIONAL

# ■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573

 Benjamin Schmid and Tanja Tetzlaff: the violinist and cellist perform works by Ravel, Ysaye, J.S. Bach and Kodaly: 8.15pm; Mar 13 OPERA · Het Muziektheater

Tel: 31-20-5518117 L'incoronazione di Poppea: by Monteverdi. Conducted by Christophe Rousset and performed by De Nederlandse Opera; Mar 12, 14, 17 (2.30pm)

## BERLIN CONCERT

Tet: 49-30-3438401

Konzerthaus Tel: 49-30-203092100/01 Orchester der Deutschen Oper Berlin: with conductor Rafael Frühbeck de Burgos perform works by J. S. Bach, Mozart and Beethoven: 8pm; Mar 14 OPERA Dautsche Oper Berlin

 Andrea Chénier: by Giordano. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin; 7.30pm; Mar 15

# **BONN**

**OPERA** Kunst- und Austellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200

 Glacometti: by Cameci. Conducted by Carmen Carneci and performed by the Oper Bonn and the Orchester der Beethovenhalle Bonn; 8pm; Mar 14, 15, 16, 17

# **■ COPENHAGEN**

DANCE Det Kongelige Teater Tel: 45-33 14 10 02 Romeo and Juliet: a choreography by Frederick Ashton to music by Prokofiev, performed by the Royal Danish Ballet; 8pm; Mar 13, 16

# **■ GHENT**

OPERA De Vlaamse Opera Tel: 32-9-2230681 ● La Forza del Destino: by Verdi. Concert performance by De Vlaamse Opera, conducted by Daniel Lipton; Mar 12, 14

# ■ HANOVER

THEATRE Niedersächsisches Schauspielhaus Tel: 49-511-321133 Death of a Salesman: by Arthur Miller (in German). Directed by K. D. Schmidt. The cast includes

Schories, Simon, Rasch, Mahlberg, Baumgartner and Brandhuber, 7.30pm; Mar 12, 14

# **LONDON**

CONCERT Wigmore Hall Tel: 44-171-9352141. Rainh Kirshbaum: the cellist: performs J. S. Bach's cello suites Nos. 2, 5 and 6; 7.30pm; Mar 13

Royal Opera House - Covent Garden Tel: 44-171-2129234 ● The Royal Ballet: perform the choreographies Rhapsody by Frederick Ashton to music by Rachmaninov and The invitation by Kenneth MacMillan to music by Selber, new works by Ashley Page and Matthew Hart to music by Liszt

and Britten; 7.30pm; Mar 13, 15 OPERA London Coliseum Tel: 44-171-8360111 Don Pasquale: by Donizetti. Conducted by Maria Hegarty and performed by the English National

# **■ LUXEMBOURG**

Opera; 7.30pm; Mar 12, 14

CONCERT Théâtre Municipal Tel: 352-470895 Orchestre Philharmonique du Luxembourg: with conductor Gerard Oskamp and planist Howard Shelley perform Beethoven's Piano Concerto No. 4 in G, Op. 58 and Liszt's Faust Symphony; 8pm; Mar 14

# MILAN

OPERA Teatro alia Scala di Milano Tel: 39-2-72003744 Nabucco: by Verdi. Conducted by Riccardo Muti and performed by the Teatro alia Scala. Soloists include Renato Bruson, Mariana Pentcheva and Carlo Colombara: 8pm; Mar 12, 14, 16

## **■ MUNICH** OPERA -

Tel: 49-89-21851920 Serse: by Handel. Conducted by ivor Bolton and performed by the Bayerische Staatsoper. Soloists include Ann Murray, Kathleen

Kuhlmann, Christoph Robson and

# Julie Kaufmann; 7pm; Mar 13 NEW YORK

CONCERT Avery Fisher Hall Tel: 1-212-875-5030 New York Philharmonic: with conductor Leonard Slatkin and percussionist Evelyn Gjennie perform works by R. Strauss, MacMillan, Chabrier, Satie and Ravel; 7.30pm;

## Metropolitan Opera House Tel: 1-212-362-6000

 La Forza del Destino: by Verdi. Conducted by James Levine and performed by the Metropolitan :: Opera. Soloists include Sharon Sweet, Plácido Domingo and Vladimir Chemov; 8pm; Mar 12, 16 (1.30pm)

# **■ PARIS**

CONCERT Salle Pleyel Tel: 33-1 45 61 53 00 Orchestre Philharmonique de Radio France: with conductor ' Stanislas Skrowaczewski and

clarinettist Sabine Meyer perform Mozart's Clarinet Concerto, Panufnik's Noctume and Shostakovich's Symphony No. 10; 8pm; Mar 15

Théâtre de l Opéra Comique Tel: 33-1 42 44 45 46 Il Barbiere di Siviglia: by Rossini. Conducted by Stefano Ranzani and performed by the Opéra Comique and the Ensemble Orchestral de Paris; 7.30pm; Mar 13

## SAN DIEGO **EXHIBITION**

Museum of Photographic Arts Tel: 1-619-238-7559 For my best beloved Sister Mia: An Album of Photographs by Julia Margaret Cameron: more than 100 images from an album Cameron: presented to her younger sister. Mia Jackson in 1863. The first American shewing of the album that features rare views of family life in 19th-century England: from Mar 13

# ■ STOCKHOLM

to May 14

Kungliga Teatem - Royal Swedish Opera House Tel: 46-8-7914300 ■ La Traviata: by Verdi. Conducted by Kiell ingebretsen and performed by The Royal Opera Stockholm; noon: Mar 12

# **■ STRASBOURG**

THEATRE Théâtre National de Strasbourg Tel: 33-88 52 17 63 • The Seagull: by Chekhov (in French). Directed by Alain Francon,

starring Dominique Valadie, Clovis Comillac, Jean-Pierre Dougnac and Valerie Dreville; 8pm; from Mar 12 to

# **STUTTGART OPERA**

iter Stuttgart Tel: 49-711-20320 L'Italiana in Algeri: by Rossini.
 Conducted by Gabriele Ferro and performed by the Oper Stuttgart. Soloists include Roland Bracht, Gabriela Herrera, Etusko Kanoh and Gustavo Gibert; 7.30pm; Mar 13, 16 (8pm)

## ■ VALENCIA CONCERT

Palau de la Música i Congressos Tel: 34-6-3375020 Vladimir Ashkenazy: the pianist performs works by Beethoven and Chopin; 8.15pm; Mar 13

# **WASHINGTON** CONCERT

Concert Hall Tel: 1-202-467 4600 National Symphony Orchestra: with conductor Hugh Wolff and violinist Cho-Liang Un perform works by Stravinsky, Haydn, Bolcom and Seethoven, 7pm; Mar 12

Opera House Tel: 1-202-416-4600 Cosi fan tutte: by Mozart. Conducted by Richard Bradshaw and performed by The Washington Opera, Soloists include Pamela Cobum. Jan Grissom, Delores Ziegler, Richard Croft and Jerry Hadley; 8pm; Mar 12, 14,

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Tonight

<del>-</del>-. .

Midnight Financial Times Business Tonight

mini-crash.

not growth, and the wage and price outlook remains pretty

In February average hourly

earnings declined fractionally

in spite of the surge in hiring.

Producer and consumer prices did rise more than expected in

January. And on Friday Columbia University reported

the first increase in 15 months

in its leading indicator of

inflation. But these blips are

not thought to have alarmed

the Fed. It believes the data.

as a whole, still point to stable

Far from being a source of alarm, the jobs figures suggest

Mr Alan Greenspan, Fed

chairman, has once again accurately judged the econo-my's pulse. In last month's

monetary testimony to Con-

gress, he upset bond traders

by saying the economy was

fundamentally sound. He pre-dicted growth of 2 to 2.25 per

cent this year. If you allow for a flattish first quarter, that

implies a mild acceleration

during the year to perhaps an annual rate of 2.5 to 2.75 per

If the sharp increase in bond

yields is sustained, or if long

rates were to move towards 7

per cent, this forecast could

prove too optimistic. Indeed

rather than rising inflation.

encouraging.



Michael Prowse · America

# **Economic uplift**

An unexpected surge in employment has blown away fears of recession and increased Clinton's chances of re-election

There was a mood of stmnned disbelief on Wall Street on Priday following the announcement that payroll employment had risen 705,000 in February - the largest monthly gain since the Reagan boom of the early 1980s. Economists were expecting a sizeable rebound following a sharp drop in January when activity was disrupted by blizzards. But an increase on this scale was not seen as remotely possible. The report crushed hopes of further cuts in short-term interest rates and prompted some of the most frantic bond and

share selling since the 1987 The White House reacted with undisguised glee. The drop in the jobless rate to 5.5 per cent. from 5.8 per cent in January, was yet another vindication of the Clinton kets is fairly modest. administration's sagacious Other data paint a consisteconomic policies. While ent picture of an improving, Republicans in New Hamp-

but not vibrant economy. Factory orders were up more than expected in December and January. Data on car and department store sales last month showed encouraging buoyancy. Consumer confidence rebounded smartly. All this suggests much of the weakness in January data reflected special factors such as the severe weather, two

**US** employment

Non-farm payrolls (million)

Market and political reactions were both overstated. One month's figures are never sufficient to establish a trend. Bond traders were talking on Friday of a "paradigm shift" of a startling discontinuity in the economic data that required a complete rethinking of the business outlook. Hence the savage repricing of bonds and equities: share prices fell more than 3 per cent while long-dated Treasuries suffered their worst single-day setback since Iraq invaded Kuwait in August

shire were complaining of the

economy's appalling weak-

ness, it was actually creating

jobs at a fabulous rate. Aides

reminded the press that some

8.4m extra jobs had been cre-

ated in the past four years -

even more than Mr Bill Clin-

ton had promised during his

1992 presidential campaign.

The jobs figures did signal a shift in momentum, but they should not be regarded as inconsistent with other available data. Nor, probably, do they significantly alter the outlook for this year. The February data were distorted in several ways. The survey

occurred late in the month which usually results in an outsized increase. Analysts also noted that seasonal adjustments at this time of year are unreliable; jobs have seemed to surge in February in three of the past six years. Allowing for the loss of jobs

in January, job gains have averaged about 220,000 during the past three months. That is somewhat above the average of 150,000 for last year, but not indicative of a surge in eco-nomic activity. The jobless rate has fallen to near the bottom of the 5.4 to 5.8 per cent range of the past 18 months, but not into uncharted territory. And weekly figures on claims for state unemployment insurance continue to run at a high level, suggesting the tightening of labour mar-

government shutdowns and

the after-effects of a long The Fed is fighting inflation, strike at Boeing, the aircraft maker. The economy was undoubtedly sluggish at the end of last year: economic growth in the fourth quarter dropped to an annual rate of only 0.9 per cent. But it seems that bond traders were wrong to fear the kind of softness that precedes recessions.

What many economists have overlooked is the degree of downward pressure exerted during most of last year by companies' efforts to reduce excessive inventories, or stocks of unsold goods. Companies were not destocking: they were simply increasing inventories at a progressively slower pace. But this slower rate of increase significantly depressed production and job growth. Recent data suggest the rate of stockbuilding may finally be stabilising and could begin to rise. The lifting of this downward pressure from inventories helps explain why employment rebounded

so sharply. Investors were right to assume that Friday's data quashed any remaining hope of another cut in short-term interest rates at the Federal Reserve's policy meeting this month. But the talk in some quarters of the possibility of rate increases was premature.

some economists argue that the plunge in share and bond prices has raised the risk of recession later this year. But the best bet remains modest growth and stable inflation. This is reassuring news for Mr Clinton. There is a simple economic law governing general elections. Incumbent presidents tend to win a second term provided they can count

on the benefits of a solid business expansion. Presidents Carter and Bush could not, and they were turfed out despite the formidable advantages of incumbency. Presidents Johnson, Nixon and Reagan could, and they swept triumphantly back into office. Although a business downturn is still conceivable later this year, the US economy now seems to be rooting for

# ·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 quiesse are are to fine), e-mail: letters editor@fc.com Translation may be available for letters written in the main international languages.

# for quality franchises

From Mr R.I. Riding. Sir, Richard Gourlay in "A fraught relationship" (March 7) reports that there are not enough people interested in buying a franchise. However, the situation is not that people have lost interest in buying, or that franchising has in some way fallen out of favour.

More people than ever are aware that there is far less risk in going into business under the umbrella of a franchiser than in starting up alone. However, There are two forces at work. First, fewer people have capital tied up in the equity of their homes which can be released by remortgaging to finance the purchase of a franchise. Second is the question of the quality of affordable

The two are inseparably linked. With the market short on capital, franchisers offering the more substantial and therefore, more attractive propositions at around 250,000 to £100,000 are finding it difficult to make headway, and companies which might have turned to franchising as franchisers have got the message and are keeping out of the market.

This has caused franchising to move down market with a surfeit of low-cost franchises at prices to suit today's conditions. But the problem is that prospective franchisees are finding them less attractive and they are less inclined to

buy. Hence, the shortage of

Regrettably, we may now have to wait until the return of something approaching the situation when franchisees had ample equity in thir homes to support a purchase before people will again be able to afford the franchise of their

R.L. Riding, editor, Franchise World, 37 Nottingham Road. London SW17 7EA, UK

# Lack of cash | The economist's role in fantasy and 'momentary fluctuations of affairs'

From Mr D.F. Eccles.
Sir, Barry Riley ("Vote now, we'll bill you later". March 2/ 3), referring to the recent rise in bond yields, writes: "It is typical fantasy of politicians at Westminster to believe that juggling with monetary policy can transform the economy."

But they learnt this fantasy from economists; from the likes of Keynes and his disciples in the 1930s, who provided academic justification to what, after the war, became known as the "cheap money

nominal value of his investment less than half of what it was then, and in real terms was wiped out years ago. Barry Riley writes: "The politicians are taking on obligations that they or their successor may not, in the long run, be able to honour." To which one is bound to reply

was chancellor, now sees the

Adam Smith, more than 200 years ago, spoke of "That insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary policy". Anybody who bought gilts at that time, when the former economist Dr Dalton fluctuations of affairs". If he

"So what else is new?".

were writing today he might well be adding "in accordance with advice from the country's leading economists".

I believe that during the American depression of the early 1930s somebody said "If all the economists in Washington were laid end to end. . the best thing we could do would be to leave them like that".

Urbanizacion Trayamar, Conjunt Villa del Mar 46 Apartado de Correos 4, Torre del Mar. Malaga, Spain

# UK government abandoned oil rights

virtually token licence fee. The Petroleum (Production)

From Dr Ian Rulledge and Dr Phillip Wright Sir. We note that Wood Mackenzie ("North Sea oil output expected to rise by 5 per cent to record". March 4) considers one of the factors contributing to the UK's record oil output is "an attractive and stable fiscal regime Attractive indeed, since for fields given development permission after 1993, the absence of any royalty or taxation other than corporation tax means that the

Act of 1934 and UK Continental Shelf Act of 1984, effectively established that the British people have collective property rights in onshore and offshore oil resources. This was originally reflected in the charging of royalty and petroleum revenue taxes for the use of these resources. Abolition of these charges in 1983 and 1993, respectively, has meant the government, in every material sense. rights.

to see. However the recent report by Petroconsultants (Annual Review of Petroleum Fiscal Regimes 1995) clearly thought otherwise. They apparently took the view that no sensible government would actually continue to give its natural resources away.

Whether this is a "stable"

taxation regime, we shall have

Ian Rutledge. Phillip Wright, energy studies programme University of Sheffield, 11 Abercrombie Street, Chesterfield S41 7LW, UK

# Antipersonnel mines: the buck stops nowhere

From Mr Tony Cunningham

oil companies pay absolutely

nothing for the oil other than a

MEP. Sir, I wholeheartedly agree with Hugh Dickinson's article Truth of the matter" (March 2/3) lamenting the new levels of irresponsibility reached by the UK government over arms sales to Iraq. I am currently deeply involved in the international campaign to ban antipersonnel landmines. murderous weapons which kill or maim someone, somewhere in the world every 15 seconds. As one would expect, there is

worldwide condemnation of their production, trade and

use. I wrote a resolution which was passed in the European parliament almost unanimously last June calling for an outright ban on APMs and destruction of stockpiles.

But, as in the arms-to-Iraq affair, it is impossible to find anyone to admit responsibility for APMs. The buck stops nowhere, it just keeps going round and round. Aware of public outrage at these murderous weapons, yet determined not to upset their domestic arms traders, the UK government only defines antipersonnel mines as

something the UK does not produce, although it produces (and exports) other devices (landmines by any other name) also capable of blowing legs of little boys, Frankly, it will be no consolation to a little boy who has just had his leg blown off that the UK government deemed that it was a device not an antipersonnel mine.

Tony Cunningham. Labour spokesman on development issues. European Parliament. 97 rue Belliard. 1049 Brussels, Belgium



11:00 am.

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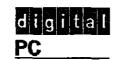
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# Personal View · Geoffrey Howe

# No longer part of the convoy

This week's white paper may offer the UK its last isolation in Europe



government will this week publish a white paper setting ■ out its views on the European Union's intergovernmental conference (IGC)

which begins in Turin later this month. The first comprehensive statement of UK policy towards Europe for over 18 months, it comes exactly five years after John Major said in Bonn that he wanted Britain to be "where we belong – at the very heart of Europe, working with our partners in building the future". Every one of his predecessors, from Harold Macmillan to Margaret Thatcher, had proclaimed the same objective at one time or another though none quite so eloquently.
Things look rather different

today. In a Europe that is much less starry-eyed than five years ago, Britain's approach to the conference has been hedged in by a series of negative commitments. They include objection in principle to any increase in qualified majority voting in the Council of Ministers, opposition to enhanced powers for the European Parliament, resistance to strengthening the role of Brus-sels in the intergovernmental pillars for foreign policy and home affairs, and rejection of any merger of the EU and the Western European Union in defence. Britain has, in short, turned down every one of the key reform proposals of the German government - and remains outside the social chapter and aloof from monetary union.

There has been a handful of slightly more positive proposals - for example, strengthen-ing subsidiarity by devolving more to member states, and increasing openness in EU decision-making. But these have done little to offset the overall impression of Britain not just as the slowest ship in the convoy but as one that is

all but at anchor. Reinforcing these detailed positions has been an all-toooften strident rhetoric of national independence and



Lord Howe: Britain the slowest ship and all but at anchor

per se. The argument in favour of maximising Britain's influence by common action with friends is rarely put. The positive reality of sovereigntysharing in Europe is never pro-

claimed, seldom even admitted. This approach has been anything but cost free. At the most basic, it has engendered the view in European capitals that it will be difficult, if not impossible, to do serious business with the UK this side of the general election. More important, the absolutism of the UK position has clouded and weak-

ened the legitimacy of many of the claims London is making. Most serious, the continental agenda has been moving on to find ways of outmanoeuvring Britain. The Germans, in par-ticular, have concluded that agreement among all 15 states to deepen the EU will be extremely difficult. Bonn is now thinking explicitly in terms of creating a two-speed Europe, with those unwilling or unable to go further and fas-ter excluded from the top table. It has already secured the agreement of Paris to this approach, first unveiled in the small print of a Kohl-Chirac communiqué before Christmas. At Baden-Baden in December, the French and German leaders agreed that the treaties should be amended to include "a clause of general character, allowing states which are able and willing to develop among themselves reinforced co-

operation" within the Union. This initiative is a radical departure from the previous orthodoxy of resisting opt-outs for both countries - as it is for opposition to closer integration the Commission which backed

it two weeks ago (as Ian Davidson argued on these pages last week). To compound this, the French negotiating position on the intergovernmental conference, leaked to the press, reveals that Paris wants conventions in the home affairs pillar of the Union to come into effect even if signed by fewer than 15 states. The current UK veto on the European Court of Justice adjudicating in home affairs, for example, would thus be evaded.

Equally, the French and German foreign ministers agreed two weeks ago to recommend that in foreign policy "con-structive abstention" should largely replace the veto. Countries opposing an initiative could simply not be bound by it. Whatever the merits of such an approach - I believe the big five EU states should retain the veto in foreign policy, in return for only the smaller states being exempted from an obligation to follow joint policy - it does mark an important

new development. The leitmotif of the 1996 conference looks unlikely to be the conversion of the EU into a federal European state, as Bonn originally wanted and London so feared. Rather it will focus on developing a made-to-measure core Europe for a few ambitious states moving forward on their terms.

The British government thus risks finding itself hoisted on its own petard. A "multi-speed, multi-track. multi-layered" Europe was, after all, John Major's European vision. The UK can hardly object if others pick up the idea and run with it as their own. Nor can Lon-

of any "further and faste clause" should require a safet catch of unanimity among th 15 every time it is used. Britain has speceeded i

don realistically insist that us

Europe in the past by goin just fast enough for others no to change the rules of th game. At the intergovernmen tal conferences which led t the Single European Act an the Maastricht treaty, the U took care to avoid boxing itse into a non-negotiable position Even now it should be possib to re-establish that pragmat approach. The more positiv note struck by Malcolm Ri kind, the foreign secretary. i last week's Paris speech migi just signal a welcome recogn tion of the need to do so.

remain subject to unanimou decision-making need no mean there can be no increas in majority voting as a matta of principle. Likewise, buildir a more open and democrat Union will involve finding rea new powers for national parli ments - in co-operation with the European Parliament rather than pretending th existing institutions need litt change. France is not the on country that could be ready back compromise along the lines, particularly if couple with a more dominant foreig policy role for the larger state

To say that core areas mu:

Multi-speed Europe wa meant to lead to a variegate pattern of intergovernment. co-operation, involving diffe ent states in different way The risk always was that would offer a route ma towards a closer union of small group of states. Th building blocks are being pi in place for just such an inne core Europe, from whice Britain will be invited a exclude itself. The isolatic which the UK has avoided for so long could thus become the general pattern of its Europea relations.

Such a development migl be hailed by some as a trium; for British diplomacy. In fac it would be a national defeat. significant proportions. Th week's white paper offers pe haps the last chance of aver ing that risk. The British go ernment must recognise th importance of this opportuni before it is too late.

Lord House was UK chancell 1979-83, foreign secretar 1983-89, and deputy prime

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday March 11 1996

Euro-bids

and mergers

Mergers and acquisitions are widely regarded as an Anglo-Saxon habit. Last week's announcement that the Swiss pharmaceutical groups Sandoz and Ciba represent the same accordance with our properties in mature with our properties in mature.

was, after all, the product of a merger. The interesting question is whether continental Europe is

ing with overcapacity in mature industries undergoing deregulation – witness the rationalisa

tion of US commercial banking through bids and deals.

it follows that the capital mar-

equivalent to nearly £10bn follow-

ing the merger announcement With a commitment to nearly £1bn of cost cuts, the enlarged

group will clearly be more profit-able. There is some academic evi-

dence that domestic mergers

between companies of broadly

comparable size work better than

more disparate ones. Since the

merger will be effected by a pool-

ing of interests, it will involve no

damage to the balance sheet resulting from a costly premium

Yet to assume that this logic will prove compelling across the whole of continental Europe

would be unwise. Corporate gover-

nance in most countries imposes

little pressure for such change.

Employment protection legislation

is often such that redundancies,

far from cutting costs, would actu-ally prove prohibitively expensive

in home markets. Above all, the

concept of shareholder value commands only tentative adherence in

continental Europe. There will be

takeovers and mergers, but no

per capita average income of

\$12,000 will not fall willingly into

the arms of a dictatorship with a

per capita average income of \$500.

Beijing has to recognise that to

achieve unification in the long

term, the starting point must be

For that, China will have to deal

with Mr Lee Teng-hui whose pres-

idential mandate is likely to be

confirmed in the looming election.

Mr Lee is formally in favour of

eventual unification. He is expec

ted to seek fresh contact with

China after the poll. The West

should encourage Beijing to

cernible. Taiwan might reaffirm

its long-term aim of unification

and drop its campaign for a seat in the UN. In return China might

agree to abandon military pres-

sure, to open direct shipping links

and permit representation for

Taiwan in some international bod-

ies such as the World Trade

Organisation. With a strong popu-

lar mandate Mr Lee should be able

How the ageing Chinese gener

als who appear to determine pol-

icy on Taiwan would react is

another matter. Clearly aghast at

the prospect of Taiwan's elections

being seen by millions of disen-

franchised Chinese on satellite

television, they seem bent on

aggression. They should consider the merits of a conciliatory

approach. The world will be more

to sell such a deal at home.

The outlines of a deal are dis-

better relations now

respond positively.

for control

pharmaceutical groups Sandoz and Ciba were to merge serves as a reminder that it is chiefly the

volume and hostility of what happens in the English-speaking mar-kets for corporate control that

makes them different. Ciba itself

about to see a much enhanced

degree of merger activity.
Such a development would be in

the interests of the economies concerned. Admittedly there is evi-

dence to suggest that surprisingly

few mergers and acquisitions in Britain and the US have added

value. Yet the supporting data

come from a period in which ill-

conceived conglomerate activity

was rife and British companies in

particular thought that it would be easier to confront international

competition by amalgamating with other - usually not very

netic wave of mergers and acquisi-

tions is how many of them are

driven by sound business logic. in

a disinflationary world, they provide a means of increasing profits through cost-cutting, when con-

sumer resistance in product mar-

kets makes it harder to generate

increased revenue. That certainly

provides part of the logic of the

China's missile tests off Taiwan

are dangerous because of the ten-

sion they have sparked. They are

also crass because they could

scarcely be better designed to

drive Taiwan's voters into support

of formal independence. That is

the opposite of what China wants.

idly by, but its reaction must be

measured. The tests are far too

close to Taiwan. But they are in

international waters. There has

been no accident involving dam-

age or loss of life. To encourage

Taiwan in its drive for interna-

tional recognition would inflame

Yet to leave Taiwan to China's

mercy just when it has completed

the process of democratisation

would be a shocking signal of

indifference. The danger lies with

escalation. Beijing must be left in

no doubt that the consequences

would be grave. In the event of an

attack, Taiwan would receive the

direct Western military interven-tion. But the US and its allies

should show support now by

accelerating the delivery of defen-

sive equipment. China should

understand that even escalation

short of an attack such as a block-

ade would bring economic and

aim at persuading the two sides to

talk. China will never win Taiwan over to unification if it remains

Western diplomacy should also

There would be no need for

West's strong support.

diplomatic isolation.

an already volatile situation.

The outside world cannot sit

Ciba-Sandoz merger, as it did with takeovers and the earlier bid by Glaxo for takeover boom.

Taiwan tension

strong - domestic companies. In contrast, the striking feature of the current increasingly fre-

# **COMMENT & ANALYSIS**

# FT Interview · Bob Wright

# Tuned to a vision of the future

he battle for the European business television audience intensifies today with the launch of CNBC Europe, a round-the-clock business cable and satellite channel, in the face of tough competition.

The new channel, broadcast from the Astra satellite system, will include six hours a day of European business news provided by FTTV, part of Pearson, publishers of the Financial Times, at least six hours of US business coverage from the American CNBC channel and 14 hours of live coverage from the CNBC channel in Asia launched a

"That's more than 24 hours, so something will have to get left out," says Mr Bob Wright, president of NBC, the US network that owns CNBC, who has been responsible for overseeing the international expansion of the broadcasting group.

In Europe, CNBC will face very tough competition from European Business News, the 24-hour TV business news service launched by Dow Jones and Flextech, the media group, 13 months ago.

EBN is on the Eutelsat satellite 24 hours a day and an early morning segment is part of the Sky multichannels package. On Friday EBN, which is available on cable networks in the UK, announced that it had obtained access to the cable networks of Hesse and Hamburg, including Frankfurt. There are no detailed viewing statistics so far although EBN is available in 12m homes across Europe.

"It a crowded marketplace out there for news and CNBC is not going to find it particularly easy," Mr Michael Connor, EBN managing director, said vesterday.

The big unknown is how large a potential audience there is; no-one knows at this stage whether there is a market for business TV in Europe. Some answers are expected next month with the results of a pan-European survey of the viewing habits of high earners in Europe.

The NBC president tells Raymond Snoddy about his plans for business television and his hopes for the Internet

The launch of the NBC business channel in Europe is the latest move by a company that was in the doldrums four years ago. Although it controlled one of the three main US networks, it was suffering from poor ratings and weak advertising

General Electric, the diversified engineering group which owns it, was considering selling out. But talks with Walt Disney foundered on price while those with Time Warner collapsed because the US group's film production arm did not want to be limited to distribution through a single one channel.

But with renewed GE backing, NBC has fought its way back to the top of the US television ratings. It has made a successful \$2.3bn (£1.5bn) pre-emptive strike to secure the American television rights to all Olympic Games to 2008. And it has created a venture with Microsoft, the computer software group, for a new type of communications net-

NBC's commitment to building up a new television genre - business - goes back nine years. The CNBC service is available in more than 60m homes in the US through cable and has an audience share of 0.4 per cent during the day and 1.4 per cent in prime time. But it is at the workplace - largely ignored by conventional ratings - that CNBC

has scored its greatest success. "It was the service of choice in the workplace, especially any business that had a financial services component," says Mr Wright. "It has become a fixture on trading floors and especially on the equity side of the business. You cannot find a place where it isn't on."

The NBC president concedes it

will be much more difficult to establish the channel in Europe. It would, however, have been foolish, he believes, to concentrate entirely on the US in an age of growing global markets.

"You need to have as good a coverage of the Asian and European markets to keep the service credible," he says.

Business news will also remain on NBC Super Channel, the group's existing satellite channel which carries a mixture of business and entertainment, for the foreseeable future - to give it the widest possible distribution. But Mr Wright says the eventual aim is to turn Super Channel into a general entertainment channel in the NBC

mould with regular news updates. To maintain its premier position in the US market, NBC has the summer and winter Olympics for the next 12 years. Expensive though the commitment was, it gives the network stability and certainty over what Mr Wright describes as "the world's premier sporting entertainment event".

also offered the International Olympic Committee stability of financing and access to maximum audiences in a growing age of pay television. "What they wanted desperately is to have the bulk of the Olympic Games available for free and available to everybody. We gave them a way to guarantee

The link with Microsoft is an attempt to establish whether there is a market for new forms of television on the Internet. It grew out of Microsoft distributing 15 CD-Roms

every year based on NBC pro-

grammes about subjects such as financial planning for retirement. The computer company wanted to licence NBC news material so that subscribers to the Microsoft Network service could get access to it through the Internet.

Instead, the two organisations came up with the idea of a joint venture involving two closely linked channels, one on cable and the other on the Internet. Microsoft agreed to invest \$220m for a 50 per cent stake in NBC's existing cable channel, America's Talking - a top-

ical television version of talk radio. "We agreed to take that service. reconfigure it and make it as interactively friendly as any television channel can be," says Mr Wright. Throughout the service there will

be regular alerts to draw viewers' attention to stories that will be dealt with in depth on Microsoft Network. Those who log on will get details of the main features running on the cable channel. The slowness of the Internet

means that there will only be still pictures at first, but the two companies have ambitious plans once high speed modems are available and cable systems upgraded.

"We will transmit full motion video on the interactive service." says Mr Wright.

At the moment NBC is looking for a new site near New York for the staff on the two complementary channels which will be launched to coincide with the Atlanta Olympics in July. He wants the building to accommodate the staff of both channels on a single floor. The hope is that information can flow from one channel to the other, improving the quality of Microsoft Network and with it the standard of what

is available on the Internet In countries such as the UK, Mr Wright believes that fast access to the Internet may be what finally helps cable establish itself. He used to run cable television networks in Denmark, and feels that without such added benefits for the consumer, the future of cable in the UK is still an open question despite the increasing flow of revenues from telecommunications.

"If I was a banker asked to lend £100m to a cable operator, I would want to know how I was going to get my money back given the fact that there is so much satellite work going on," the NBC president says. He points out that only 21 per cent of those who can subscribe to cable networks actually do. Mr Wright believes that the Microsoft Network, despite beginning mainly with graphics and data will eventually turn out to be an important venture. His hunch is that people will want to watch moving pictures on their PCs - every time NBC has introduced moving pictures to its professional screenbased services in the markets they have been welcomed. Whether or not his hunch on

moving pictures on PCs turns out to be correct, he is convinced that a company such as NBC cannot afford to base its business entirely on one channel, however successful. NBC is now involved in a total of 18 cable and satellite services.

Proposals to move the existing US networks to digital transmission will free frequencies for other uses but clearly brings dangers for broadcasters such as NBC which have traditionally carried a broad range of programmes on a single network channel But as CNBC launches in Europe

the business news about NBC is

"We have a premier position in the business both from an economic standpoint and a viewer standpoint. But it's a fragile position. It's ours to hold that position or lose it," Mr Wright insists.

# PFI, not bad?

unfriendly. A democracy with a dangerous if they do not.

Mr Michael Jack, minister responsible for the UK government's Private Finance Initiative (PFI), cracked rather a good joke last week, given his subject matter. The PFL he said, would put an end to the B-A-D old days", by which he meant the days of Build

and Disappear. He put his finger on one of the virtues of PFI, the government's policy for boosting the private sector's role in public sector investment. The PFI unites responsibility for construction and operation. The provider of infrastructure be it a road, prison or hospital - is also the provider of the associated service, and therefore bears the risk of ensuring that assets are available on time and that they remain serviceable.

The challenge for the public sector is to weigh the resulting quality and efficiency gains against the higher cost of capital charged by the private sector. It can then decide, case by case, which option offers best value to the taxpayer. So much for the theory. It is the practice which is highly problematic. Three years after its launch, the PFI is progressing at a snail's pace in most spheres. So far its main impact has been to delay state investment. Only by including the fast rail link to the Chan-

nel tunnel does projected invest-

ment under the PFI appear

respectable. Yet the fast link took

more than five years to agree, and

is in a class of its own. More tell-

deals in important areas such as defence and local government. Some of the hold-ups are of a transitional nature. One current problem - doubts over the liability of the state to meet obligations entered into by health service trusts, which are government agents in every respect - is being addressed by emergency legisla-tion this week. This issue has been a thorn in the side of large hospital PFI projects for more than a year. The delay in tackling it is typical of the lackadaisical attitude to the PFI evident across

Not all the problems are so easy to resolve. Deciding on the optimal degree of risk transfer from the public to the private sector is a fraught issue. Equally difficult is the task of making fair comparisons between the cost of traditional and PFI procurement. In many areas, notional PFI gains depend on assumptions as to the "inevitable" cost over-run of a traditional public procurement. Yet this begs important questions about the comparator in question.

most of Whitehall

It is also vital that firm control is maintained over contingent habilities. Until accrual accounting reaches Whitehall at the end of the decade, the extent of future PFI spending commitments will not be fully apparent. If the PFI were to veer to the opposite extreme from now and become a vehicle for uncontrolled public spending, the bad old days really ing is the virtual absence of PFI would be back.

Budgeting for results

M. When bankers visit the world's finance ministers in search of business they face a problem. What sort of memento can they leave behind which will make sure they are remembered with affection? Some like to leave paperweights advertising their bank's tombstones. Others prefer pennants, plaques or something silver such as a small case for visiting cards. However, from

his salt would die for - a. "nerception analyser". Just ask Canada's Paul Martin who put a bunch of these gizmos to work use during his budget speech in Ottawa last week. As he was speaking in the House of Commons, Earnscliffe Strategy, a local lobbying and polling outfit, tracked the response of English and French-speaking focus groups

Canada comes news of a present

which any finance minister worth

in Toronto and Montreal . Rach participant had a "perception analyser" - basically, a dial calibrated with numbers from 1 to 100, linked to a central computer. When Martin made a point that the focus group approved of they recorded a score above 50 - how far above depending on how much they approved. Hints of wasteful spending or cuts to favoured government programmes scored

· O B S E R V E R between zero and 50. By the time the minister sat down, the responses had been analysed and Martin had time to adjust his message before the string of media interviews that typically follow a

budget speech. The idea was to ensure that people "understand exactly what we're telling them", explained a Canadian finance official. Whether or not you believe that, the perception analyser" seems to deliver results. The budget raised barely a murmur of protest.

Bottleneck

Every country suffers from bottlenecks. But Russia suffers more than most, judging by an item in Focus, a German weekly.

It reports that 900,000 bottles of Russian vodka found their way into Germany in the first 10 months of last year. By contrast German distillers exported 19m bottles of vodka to Russia. Burkhard Baecker, chief executive of Berlin's Schilkin distillery, thinks he knows the reason. The Russians are short of bottles.

Bear baiting

Hope that tiny Estonia knows when to stop batting the Russian bear. Last year, when Russian troops invaded Chechnya, Estonia's parliament loudly condemned the move. Then last

week, the country sent condolences to rebel Chechen leader Dzokhar Dudayev following the death of guerrilla commander Salman Raduyev who had led a hostage taking mission in a Russian town. The terrible murder of this outstanding fighter shocked us

deeply," said the Estonians.

The connection goes back a few vears. Dudayey led a nuclear bomber squadron in Estonia. He married an Estonian. And he claims Estonia's successful fight for independence from Moscow inspired his own. Russians still make up a third of Estonia's 1.5m population, but you would not know it from the Estonian's less than welcoming attitude. No wonder then that the mere mention of the name Estonia gets

Russian blood boiling. Russia's foreign ministry has blasted Estonia's resolution. Should Gennady Zyuganov or any other hardliner candidate come to power, Estonia might come to regret its righteous impertinence.

The K factor

Deutsche Morgan Grenfell and Morgan Stanley are running neck and neck in the race to launch Wall Street's first country-specific index fund.

DMG thought up the idea first, and filed an application with the US Securities and Exchange Commission two years ago. But Morgan Stanley quickly followed

suit and both teams jumped the regulatory hurdle at the same time. Last Thursday DMG edged ahead by being the first to brief journalists. However, Morgan Stanley still has a chance to come away with first prize. It has cocked a snook at its German competitor by hiring German-born Henry Kissinger to be the keynote speaker at hotel.

Clearly, Morgan Stanley has a lot of money riding on Kissinger's ability to win the race to attract the most money. Hope he does not pull up before the final hurdle explaining the intricacies of exchange-traded indexed funds.

Viewing fare

■ Taxi meters around the world are not always reliable, but those in Algeria have recently proved so popular that they are being stolen, to the cabbies' annoyance. The reason: thrifty Algerians have discovered that, if attached to television sets, the electronic meters will unscramble the popular French pay TV channel,

Canal Plus. There is a downside: a taxi fare appears on the screen along with the pirated picture. Presumably viewers don't mind a running reminder of how much money they are saving, and the meterless cabbies can always go back to the traditional way of calculating a fare - thinking of a number and

"Financial Times

100 years ago

Wealth in Australia If they are not rich in the Antipodes, they certainly ought to be, for according to Mr Howard Haywood, the value of the gold discovered in Australia up to the end of 1894 was £317,337,289 - a total that must have been considerably added to last year. In addition to this enormous output of the yellow metal, the Colonies are blessed in the possession of the "Golden fleece"; for, according to the same authority, wool to the value of 174 millions sterling was obtained in 1894 from the 92 millions of sheep in the country. And yet the Australians are not

50 years ago

Shortage of nitrogen It is a far cry from the International Nitrogen Cartel of the years between the wars, a cartel formed because of excessive world capacity. Yet the shortage of nitrogen has come. It is one of the reasons, too, for the food scarcity, since, apart from the weather, the poor European crops are the result of the lack of fertilisers. That lack will be felt during the current year's crops. Coal shortage is a factor limiting nitrogen production in some countries. In Italy, for example, hydro-electric power, which was formerly used for nitrogen production, has had to be diverted to other numoses

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# FINANCIAL TIMES

Monday March 11 1996



New exercises will affect flights and shipping | Hamas to

# US warns China against war games near Taiwan

By Laura Tyson in Taipei

The US yesterday began moving an aircraft carrier taskforce closer to Taiwan as Washington warned China against further

"risky" acts against the island. "There will be really grave consequences if they try to resolve that problem by force," said Mr Warren Christopher, US secretary of state, referring to China's persistence in threatening Taiwan. "The actions they have taken smack of intimidation and coercion." He also said the carrier USS Independence would "be moved somewhat closer

in . . . closer to Taiwan.' China, which began missile tests near Taiwan on Friday, announced at the weekend that it would stage additional and more extensive war games from tomorrow in the 230km Taiwan strait.

China's latest exercises will cause diversions in important

the market's fall as an opportu-

nity to buy. They have been

pouring record amounts of

Mr Eric Miller, chief invest-

ment officer at Donaldson Lufkin

& Jenrette, said: "The key to this week will be if the bond market

Many in the bond market

thought that the yield on the

long bond could rise as high as

7 per cent in coming weeks. If

that happened, Mr Miller said,

Analysts expect European stocks to be marked down in

Stocks will suffer a bit of a

bloodbath at the opening. There

will an element of catch-up," said

Mr David Brown, chief European

economist at Bear Stearns. "Most

people are going to go into the

week very defensive and very

cautious. This is not a week to be

Commerzbank

enough" to cover any extra

cussions with the tax inspectors.

and sometimes it had money

returned, a process in which the

sums had balanced each other

out in recent years.

Continued from Page 1

valued at current levels.

today's opening session.

a hero.'

money into the stock market.

Continued from Page 1

regains its footing."

flights and shipping routes. The naval and air exercises

using live ammunition - are to be conducted in the South and East China seas between March 12 and March 20. The area appeared to cover the southern entrance of the Taiwan strait.

Taiwan aviation authorities will divert a principal interna-tional flight path to prevent a potential accident. Taiwan said yesterday that more than 300 flights each day will have to alter their routes because of the planned exercises and that flights to Hong Kong, Japan, Korea, south-east Asia and the US would

The measure was taken at the request of Hong Kong as a safety precaution, Taiwan's Civil Aeronautics Administration said. Ships plying routes between Hong Kong and Shanghai will also be forced to divert from their normal path to avoid the exercise

area. "If any consequences arise

during the exercises, it will be the responsibility of communist China," the administration said.

The exercises will be held in an area covering 17,000 sq km off the south-east. Chinese coastal provinces of Fujian and Guangdong. They will overlap with Chinese missile tests begun on March 8 near Taiwan's two largest ports, Keelung and Kaohsiung.

The missile tests are to end on March 15. Held in international waters, they are seen as a message that China has the capability to blockade Taiwan's two main ports, which handle 70 per cent of the island's trade. The Taipei government yester-day remained adamant that the

latest war games would not derail the island's first direct presidential election on March 23.

Chinese media pressure, Page 4 Editorial Comment, Page 15 Emerging markets, Page 24 World stock markets, Page 26

# resume bombing campaign in Israel

The extremist Hamas Islamic movement, responsible for a wave of suicide bombings in Israel, said at the weekend it was withdrawing its offer of a ceasefire and would resume attacks.
Its warning came as world leaders prepared for an international summit in Egypt on Wednesday, to be chaired by US president Bill Clinton and Egyptian President Hosni Mubarak, to

shore up international support for peace in the Middle East. Several Middle East governments and radical Islamic groups condemned the "Summit of the Peacemakers" as a cover for silencing resistance to Israeli occupation. In Israel, rightwing opposition Likud party officials accused the summit of trying to bolster the waning electoral prospects of Mr Shimon Peres. Israel's prime minister, who has called early elections on May 29 on a platform of making peace

with Arabs. Syria refused to say whether it would attend the summit but said a better way to tackle the crisis would be to reconvene the Arab-Israeli conference. This launched the Middle East peace process, but it went into recess shortly after it opened in Madrid in October 1991. Mr Mohsen Dahloul, Lebanon's

defence minister, said the sum-mit was doomed to failure as it only aimed to please Israel.
Iran, which has not been invited to the meeting, said it supported the actions of Palestin-

ians. Libya said Israeli "Zionists' and Americans were the greatest terrorist force. In a leaflet, Hamas's Oassam military wing said it was cancelling an offer of a four-month

ceasefire because of raids and arrests by security forces controlled by Mr Yassir Arafat, the Palestinian president. The move defied calls by Hamas political leaders for an end to bombing attacks and

efforts by Mr Arafat to invoke Islam against violence. The New York Times newspaper reported that Mr Mousa Abu Marzouk, head of the Hamas political bureau, who is being held by US authorities, said Hamas wanted to end the violence which has claimed 58 lives, but that the bureau had only limited control over the military wing.

Palestinian forces, who continend, said they had arrested three leaders of the Qassam units, including the second most wanted activist after Mr Mohamed Dief, the Qassam leader who has evaded capture. Mr Arafat welcomed the sum-

mit but complained that Israel's blockade was strangling Palestinians. Israel yesterday said it would grant work permits to another 16.500 migrant workers to replace Palestinians from the West Bank and Gaza Strip.

# Market fears | UK diesel engines group targets world

Perkins, the UK-based diesel engines manufacturer, is seeking to supply the world executive and luxury car market.

The group, owned by the Varity Corporation of the US, is ect under which it plans to bring together several car manufactur-ers as customers for 2.5 litre-plus, high-performance diesel engines. Mr Mike Baunton, Perkins' chief executive, said the UK company was able to design, develop and manufacture these engines profitably at volumes as low as

45,000 to 50,000 units a year. This is well below the volumes at which a large carmaker on its own would regard such a com-plex project as viable. But by sharing an engine – which would carry each carmaker's brand name rather than Perkins' – carmakers would be able to offer diesel versions of their most prestigious cars even if they were selling only around 10,000 such

every year to cover unexpected tax liabilities and said such vehicles a year. reserves would "be more than Plans to seek such business have little precedent in the 2.5 litre-plus executive and luxury car demands which might emerge sector. They coincide with a decifrom the negotiations with the tax inspectors. In 1994 the bank sion to change the name of the UK group to reflect more closely set aside DM585m to cover the possibility of additional tax liaits association with its US parent. Perkins' employees, most of The bank also said it occasionwhom are based at the compaally had to increase the size of its original tax bill following disny's main manufacturing facilities at Peterborough, central England, have been told that

> Perkins is already one of the world's biggest independent die-

> > HIGH

from today the group will become

Varity Perkins.

luxury car market sel engine manufacturers, producing 250,000 engines a year for products ranging from lawn mowers to 2,500-plus horsepower industrial generators. A further

50,000 Perkins engines are produced around the world under licence. Perkins is relatively littleknown for involvement with mainstream car engine development and manufacturing. The main car engine project with which it has been publicly identified is the Prima diesel used by

Rover Group in its former Montego and Maestro models. Behind the scenes, however, it s much more closely involved on collaborative basis, but under confidentiality clauses. Embarrassingly for Perkins, its collaboration on engine development with Renault accidently became public last year when one of Renault's Safrane executive cars fitted with a prototype engine was stolen with its trailer in the UK.

Mr Baunton said Perkins was aiming to lift total production to 400,000 units a year over the next few years, mainly through niche utive car diesel engine.

However, he stressed that Perkins had no desire to seek highvolume production contracts for a single engine type from individual carmakers. "At 100,000 units a year, you

would become much too dependent on a single customer. And the future of such business would be uncertain because the carmaker is likely then to consider the volume sufficient to produce FT WEATHER GUIDE

# THE LEX COLUMN

# Wall Street blues

European stock markets cannot be immune from Friday's bloodbath on Wall Street. But the fallout in Europe. including Britain, should be less extreme. For one thing, the sharp divergence between bond and equity markets in the US has not been followed to anything like the same extent in Europe. Also, the outlook for most European economies remains bleak: by contrast with the US, further interest rate cuts are likely.

But this logic applies less in the UK. Given the British government's apparent abandonment of its safety-first approach to inflation, the bond market is bound to remain nervous. And valuations in the stock market, by comparison with bonds, already look stretched; the 10 year gilt yield is more than 2.2 times that on equities. British markets, in short, look less protected from Wall Street than most.

## Pharmaceuticals 3 4 1

When Ciba and Sandoz announced that their merger would produce annual savings of \$1.5bn - \$1.1bn after tax – investors added \$15bn to their combined market capitalisation, effectively applying a multiple of 13. Are

these figures justified? The problem is that costs may be permanently lower to the tune of at east \$1.5bn a year, but it does not follow that profits will be permanently higher by the same amount. In the short run, the new company will no doubt be able to pocket the savings. But the prospect of super-normal profits is likely to accelerate mergers among rivals - cutting costs throughout the industry. In any normal market, the consequent savings would be competed away as companies cut prices. That will not happen as quickly in pharmaceuticals, because of the cushion of patent protection. But it is hard to believe in a golden scenario where drug companies generate fat profits for ever. Powerful managedcare buyers are already adept at playing suppliers off against each other wherever alternative drugs are available. And if the industry appeared to make excessive profits, governments would impose pricecuts. None of this means companies should avoid mergers. A large, albeit temporary, improvement in profits is

well worth having. But applying a multiple of 13 to such profits looks generous. Growth stemming from innovation is worth much more.

Argentaria Although banks are not the easiest privatisation candidates, the latest **Argentaria** Share price since flotation

Argentaria offering has plenty to

tempt investors. Argentaria has disappointed in the past, but earnings now look set to grow steadily. And the shares look cheap: at around 8% times 1996 earnings, they are trading at a discount to the sector average and discount to the sector average, and only a slim premium to book value. Yet Argentaria's 13 per cent return on equity is healthy by European stan-dards, and close to that of other Span-<u>ish</u> banks. But timing the offering to coincide

with Spanish elections was still a gam-ble. However Spain's new government stacks up, it is unlikely to veer far from the economic programme of the ousted Socialists. But there is always the danger that a minority government could choose to allow inflation and interest rates to creep up - bad news for banks.

Political uncertainty is bound to deter some investors, particularly in the US. But recent market weakness likely to be compounded by Friday's fallout on Wall Street – means inves-tors which can cope with the uncertainty will be getting an even cheaper deal. Still, the risk taken by the sellers is hard to justify: at best, sale proceeds will be depressed; at worst, the reputa-tion of Spain's privatisation pro-gramme as one of the best managed in continental Europe could be jeopard-

## South Africa

Johannesburg's stock exchange, which began screen trading on Friday, is fast opening up to the world. For the foreign investors South Africa badly needs, Johannesburg's Big Bang is good news. But it will still not solve the exchange's biggest problem: its

chronic illiquidity. Allowing brokers to trade on their own account should help a little. But the root of the problem remains: too

many shares are locked up in hig.

rarely-traded holdings. Nearly 80 per cent of shares are controlled by just five groups. The result is a highly inbred corporate culture. Hostile bids

are virtually unknown.

Conventional wisdom suggests this will unravel as exchange controls are lifted, allowing companies to dump unexciting stakes and invest the proceeds abroad. Maybe. But the controls are likely to be lifted only slowly. And even once they are gone, selling big stakes in an illiquid market will not be easy; it will be much simpler, for example, for South Africa's large insurers to invest their healthy annual cash inflows abroad than to liquidate their existing holdings. More fundamentally, even underperforming hold-ings represent power and influence which South African companies will

not give up lightly. In the long run, there is no reason why Johannesburg's stock exchange should not be as liquid as any other. But the process could easily take a

## Cable and Wireless

It would be unwise to read too much into Cable and Wireless's spurning of British Telecommunication's approaches. Until a new C&W chief executive is in post, all bets over the company's strategy are off. And the fact is that C&W has a number of strategic options, of which the status quo is probably the least attrac-

Joining up with another big player such as BT would certainly create a group better placed to exploit economies of scale and gain global reach in a rapidly liberalising international market. Equally, C&W could break itself up, creating a number of units which in turn could be snapped up by

bigger telecoms groups.

Nor is BT the only potential bidder,
C&W may simply be playing hard to get. This would make sense. Given the powerful logic driving international mergers in the telecoms business, C&W – with its unique spread of international assets - has every reason to try to attract other hidders, such as AT&T. With formidable obstacles to a hostile bid for the group, this is a game in which C&W has a strong negotiating hand.

The fact that the new chief executive will need to Jethink the company's strategy from scratch is, though a problem as well as an opportunity. It may not be easy to recruit someone of the right calibre if their first job is to choose between dismembering the company and finding someone to gob-

# ROLLS-ROYCE INCREASES PROFITS

Rolls-Royce announced an increase in profits to £175m for 1995 (£101m 1994). The company also has a strong order book standing at £6.2bn. Commenting on the results, chairman Sir Ralph Robins said: "We have made significant progress in some of the most challenging markets in the world and at the same time improved our financial performance."

# \$100M WORTH OF ORDERS FOR COOPER ROLLS

Nine Coberra gas turbine packages for gas compression and power generation have been ordered for installation in Slovakia, Russia, Pakistan, Italy and Malaysia. Coberra packages incorporate either Avon or RB211 gas generators from Rolls-Royce. The packages are marketed by Cooper Rolls, a joint venture between Rolls-Royce and Cooper Cameron Corporation of the USA.

# **FURTHER SUCCESS FOR** AERO TRENT

More orders have been secured for the Trent series of aero engines - the most powerful engines produced by Rolls-Royce. Singapore Aircraft Leasing Enterprise recently announced that Trent 800 engines had been chosen to power their new fleet of six Boeing 777 aircraft. And ILFC, an aircraft leasing company based in the USA, has also placed a new order, selecting Trent power for a total of eight Boeing 777 and Airbus A330 aircraft.





## **Europe today** A frontal system will bring cloud and rain

to Ireland and Scotland, but England will remain dry with widespread sunshine in the south-east. The Benefux, France and Portugal will be mainy sunny and Spain will have a mixture of sunshine and cloud, vith showers on the east coast. Central and southern Italy will have widespread rain which will move slowly east, reaching Greece in the atternoon. The Black Sea region will be unsettled, with some sleet or snow in northern and western sections. Poland will be wintry, with overcast skies and some snow, while Scandinavia will

### Five-day forecast Cold air over Poland will move further

west, bringing low temperatures across western Europe, although the region will remain mainly dry and sunny. The Mediterranean area will continue unsettled, although conditions will improve over Italy, Ireland, Wales and Scotland will be wet, becoming dryer later in the week. England will remain mainly dry. The northern Balkans and Poland will be cold with some snow.

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**FINANCIAL TIMES** 

# **COMPANIES & MARKETS**

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Monday March 11 1996

# Pechiney to cut annual costs by 8%

By Kenneth Gooding,

Pechiney, the French aluminium and packaging group privatised last year, is planning to cut annual costs by at least FFrL5bn (\$297m), or 8 per cent, by 1998 and is expecting to implement substantial workforce reductions. Mr Jean-Paul Rodier, chief executive, warned unions and works councils that there were bound to be big job losses. He said there could be 2,000 to 3,000 in France, representing 10 to 15 per cent of Pechiney's 19,000-strong workforce there. It employs 37,000 worldwide.

Mr Rodier, who was recruited in 1994 by the French government to run Pechiney and who steered it through to privatisation late last year. said that for years the group had spent more than it had earned and then had been forced to sell assets to reduce

He said present cash flow was not enough to cover capital expenditure and the demands of Pechiney's subsidiaries which all had plans for investment and expansion. He said the 8 per cent cut in Pechiney's costs (excluding raw materials costs) was the minimum to be expected. At Union Minière, the Belgian metals group where Mr Rodier implemented a similar scheme before he joined Pechiney,

costs were cut 20 per cent. Mr. Rodier said there were two main reasons for Pechiney's high level of debt of FFr25bn when he arrived: there was a lack of focus in its operations and a lack of profitpetitors. While Pechiney was profit. Pechiney would show a

refocused the group, concentrating on aluminium and packaging. It is Europe's big-gest aluminium producer and the world's third largest packaging group. Pechiney has also sold several non-core busi-

nesses for about FF10bn. The group strengthened its balance sheet by raising FFrl.8bn of new capital when it was floated in December. Mr Rodier said that some small operations were still to be sold and this might bring in another FF2bn.

He also said he "would be surprised if in five years' time" Pechiney still owned 40 per cent of La Carbone Lorraine, a quoted specialist metals company. Pechiney was also willing to sell its 39 per cent holding in the Techpack International packaging com-

pany "at the right price". Mr Rodier had promised institutional shareholders at the time of the flotation that Pechiney would not raise new capital until its profitability was greater and this was reflected in a higher share

Some 80 per cent of the restructuring programme, named Challenge, is costrelated because by the end of 1998 Mr Rodier wants most of Pechiney's operations to be in line with the costs of their competitors. Managers had been given

until the end of September to produce plans showing how they intended to match competitors. The plans would then be brought to fruition by the

Mr Rodier stressed the programme was not aimed at simnpared with its com- ply increasing short-term still state-owned Mr Rodier profit for 1995, he said.

# Burger chain's continued growth confounds critics, writes Richard Tomkins M cDonald's, the world's biggest fast McDonald's makes sceptics eat their words

Mr Raymond Croc opened his first restaurant in 1955. Surely by now the world has had as many Big Macs as it can take? Apparently not. This year, McDonald's plans to accelerate its rate of expansion to a record high, adding between 2,500 and 3,200 restaurants to last year's total of 18,380. At this rate, a new McDonald's will be opening somewhere in

well over 100bn burgers since

the world every three hours, A few years ago, popular wis-dom had it that McDonald's profits were in danger of level-ling out. The US market was approaching saturation, critics said, and international profits growth would be too slow to keep the momentum going.

Popular wisdom, however, proved wrong. Over the past five years, McDonald's net profits have risen at a compound annual rate of 12 per

Last year, net profits shot up 17 per cent to \$1.4bn - the company's biggest percentage profit increase since 1988.

McDonald's share price has soared amid a reappraisal of its prospects. Last year, the shares gained 54 per cent to \$45%, an extraordinary increase for a company of its size. At the end of last week, in spite of Friday's stock market tumble, the shares were at \$50% - a multiple of 22 times forecast earnings for the current year, representing a premium of 40 per cent to the multiple for the Standard & Poor's 500.

The renewal of interest in McDonald's stock reflects what might be called the Coke factor. The opening of markets in eastern Europe, India and China has produced a wave of investor enthusiasm for the global growth prospects of US consumer goods companies with powerful, international brands. Last year Coca-Cola's shares rose 44 per cent, and shares in Philip Morris, maker of Marlboro cigarettes, rose 57

ing the company's shape.

for the first time. International expansion is

good for the bottom line at it likes to remind investors all. Competition in its home McDonald's because interna-In the case of McDonald's, than those at home. Competiinternational growth is chang- tion is much less intense out-

operating profits to grow at a compound annual rate of about 20 per cent over the next five

the world's population.

and KFC chains - and from every sandwich shop and hot dog stand in the land. McDonald's has a simple petition: to be so aggressive

Metropolitan) and Wendy's International, but from other fast food outlets - notably.

PepsiCo's Pizza Hut, Taco Bell

answer to this cut-throat comand competitive that it achieves market dominance. To that end, it plans to put everyone within easy reach of a Big Mac: up to 1,300 of this year's restaurant openings will be in the US.

One reason why McDonald's is able to do this is that, since 1990, it has slashed the cost of opening a typical restaurant by 30 per cent through the use of more efficient building designs, standardised equipment packages and global sourcing. This means it can now open restau-rants in locations that would have been hopelessly uneconomical five years ago, such as airports, hospitals, schools and military bases.

There is another significant factor, too. In the past, McDonald's used cash flow from the US operations to finance international expansion. Now, the strong financial performance outside the US allows McDonald's to pour more resources into the battle for market

One problem with US expansion is the risk that new McDonald's restaurants will take sales from existing ones. Some Wall Street analysts worry that this could result in a fight with McDonald's franchisees, who run 85 per cent of the company's US restaurants although there is no sign of this yet.
Still, there are few quibbles

over the strategy. "It's a tough environment," says Mr Allan Hickok, an analyst at Piper Jaffray, the investment management company. "But my feeling is that when the going gets tough, the weak get weaker. In a tough market, a lot of people are going to feel pain before McDonald's does. McDonald's two big rivals in They are going to be the last ones standing in any circumINSIDE

C&W/BT



between UK unications Cable and Wireless and British Telecom

Merger

collapsed following a disagreement over value. BT is understood to have approached C&W with merger proposals following the boardroom upheaval late last year which saw the departure of C&W's chairman and chief executive. Page 18

## Incentive

incentive, part of the Wallenberg empire, is set to follow its takeover of Gambro, the Swedish medical technology group. with disposals as it remodels its clutch of industrial holdings. Page 19

## Fund Management

Because Orange, the UK mobile phone company, will almost certainly be included in the FT-SE 100, any fund manager committed to matching this index will have to own Orange shares. The problem is that Orange shares will be scarce: only a quarter of the company is being offered to the public.

City People



Can Sir Terence Conran, the End restau rants such as Quaglinos and

Mezzo, persuade City of London workers to stay in the Square Mile after dark? When the Great Eastern Hotel reopens in 1998, there will be three Conran including a glamorous 300-seater. Page 21

Global Investor



Baker argues that the real stability continues to lie with the

Gerard

Japanese ecovery. For months the barely whispered fear in global markets has been of a re-run of 1994, with the Bank of Japan taking the place of the Federal Reserve as bogeyman. Page 22

Although McDonald's still has more restaurants in the US than abroad, the overseas side is growing more quickly. Last year, the company reached a turning point when internaoperating profits exceeded US operating profits

Feeding frenzy

side the US, which means for, it expects international McDonald's gets more customers through its doors and can charge higher prices.

Another attraction of the international market is its seemingly limitless growth potential. Although McDonald's has opened 7,000 restaurants in 89 countries outside the US - Croatia is the latest that, on any given day, it still market comes not just from serves barely half a per cent of

the burger market, Burger

years. The domestic growth

rate is expected to be lower: in

the mid-single digits or better,

But perhaps the biggest sur-

prise about McDonald's is that

it expects US profits to grow at

the company says.

# Fokker unit removed from court protection

By Ronald van de Krol in Amsterdam and Michael Skapinker in London

One of three subsidiaries of Fokker has been removed from court-approved protection from creditors in an attempt to create a vehicle for reviving the Dutch aircraft maker in slimmed-down form. The weekend move came as

of its struggle to find a sav-The Dutch government's bridging credits to the comoany run out on Friday and Fokker sources say they doubt

they will receive a further period of grace. **Fokker said Fokker Aviation** a non-production unit, and

one of three granted court protection in January - had been removed from administration. Assets from the two remaining units under protection, Fokker Aircraft, the core aircraft assembly business which generates 90 per cent of group turnover, and Fokker Administration, will be transferred ebt-free to Fokker Aviation.

This will potentially create a Fokker entered the final week new corporate nucleus for Fokker, enabling it either to try a solo resurrection or to arrange a sale of its businesses to an Asian candidate.

The company cautioned that the move should not be interpreted as meaning it had made a choice between the possibilities it has been studying. Its

future monthly maturities - covering

a three-year period in all. New short

sterling and euromark contracts due

to be listed on Tuesday next week

could mature after the scheduled

introduction of the euro and officials

Short-term money market contracts

are used by investors to protect them-

selves against rises in short-term

interest rates, and also for speculative

trading. In February, the euromark and short sterling futures, together

with related options, accounted for

wish to be rid of any uncertainty.

itself as a "stand-alone" operation with the aid of Dutch financiers or to have its assets taken over by Samsung of South Korea or Aviation Industries of China (Avic). Samsung and Avic are

expected to decide by the end of this week whether they are interested in doing a deal. build a 100-seat jet. Fokker's F70 and F100 aircraft, seating 70 and 100 passengers respec tively, are highly regarded in the industry. Both companies bave made it clear, however, that they expect to assemble such a jet in Asia and may be after no more than Fokker's

If Fokker is forced to try the

tinue efforts to find a strong industrial partner capable of financing future aircraft design and development. In 1993, a controlling stake in Fokker was sold to Daimler-Benz Aerospace (Dasa) of Germany but the partnership collapsed in January after Dasa

withdrew financial support. Bombardier of Canada, which many saw as the most likely suitor for loss-making Fokker, has said it is no longer interested, although some in European aerospace see this as a ploy to attract sufficient government support

Bombardier has threatened to walk away from the acquisition of struggling aircraft manufacturers in the past, but cial support by the local government concerned This was true of its acquisition of Canadair in 1986 and of Short Brothers of Northern

when offered sufficient finan-

Ireland in 1989. Shorts makes wings for Fokker and is threatened with heavy job losses if the company fails. Aerospace officials believe Bombardier is waiting for a hetter financial offer from the Dutch government. One of the difficulties is that the Dutch government did not

offer enough money to Dasa to keen Fokker in business. Aero space executives believe it would be difficult for it to offer more financial support to Bombardier than to Dasa, a European company.

# options are to try to resurrect stand-alone option, it will conhas agreed to take them over ffe considers contract changes in run-up

The London International Financial Futures and Options Exchange (Liffe) is considering a modification of its short-term money-market contracts as part of its preparations for European

A full board meeting of the exchange will this afternoon assess the technical and legal issues arising from the timetable for the move to a single currency, the euro, scheduled to take place in January 1999, and will consider a number of possible changes to two of its leading contracts: the euromark and short ster-

Liffe lists a range of financial futures and options contracts denomi-

ear following the introduction of the futures exchange. single currency. But a decision is par-ticularly urgent in the case of these Several options are under considertwo contracts as the exchange lists 12

 The market may list two identical three-month futures contracts, denominated in the euro, but convertible into either Sterling or D-Marks if monetary union is either delayed or abandoned. • Another possibility would be to

add an unprecedented conditional clause to existing short sterling and euromark contracts, stipulating that they will be settled by reference to the future rate at which Sterling and the D-Mark will be exchanged for the euro, if it is introduced according to the current schedule.

more than a third of total trading • Alternatively Liffe may develop

contracts combining these possibili-

In any event, the exchange will almost certainly have to create a new set of contracts. Mr John Foyle, deputy chief executive of Liffe, insisted the market would give "users the widest choice of products, while ensuring that all possibilities [relating to the different scenarios for Emul are

The market will consider potential problems. For example, there are worries that by introducing new contracts, liquidity in any single instrument would be depressed. Furthermore, the addition of "conditional clauses" could deter some

Liffe executives believe the mar-

to the single currency will be an important factor in maintaining London as the biggest centre for money market operations in Europe.

Matif, the Paris-based financial futures exchange, is facing a similar dilemma on its three-month Pibor future, the equivalent French short-term money market contract. It is assuming that during phase three of Emu, when national currencies are progressively eliminated, the Pibor rate will de facto become a euro threemonth rate. Matif is still unclear how this rate will be determined, but says it will follow guidelines, yet to be set by the French Banking Association, covering these issues. Derivatives, Page 24

# Crédit Lyonnais Dowly Aerospace General Electric Hill Samuel Incentive Usimha

4:22n-Paul Rodier: steered the group through privatisation

COMPANIES IN THIS ISSUE

3ET

Fokker

# SAMSUNG, SIEMENS & FUJITSU Share something special HE NORTH OF ENGL

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Valuation seems to have been the stumbling block in the second set of merger talks

# C&W board spurns BT's approaches

By Peggy Hollinger

Merger talks between telecommunications giants Cable and Wireless and British Telecom have collapsed following a disagreement over value. British Telecom is understood to have approached Cable and Wireless with merger proposals following the boardroom upheaval in November which saw the abrupt departure of its chairman. Lord Young of Graffham, and chief executive, Mr James

It is at least the second time

Dowty Aerospace, the aircraft

components subsidiary of TI

Group, is today expected to

announce that it has won new

business worth almost £90m

following the recent spate of

Mr Tony Edwards, Dowty's

chief executive, said the group has been asked to supply an additional £20m of hydraulics

and actuation equipment to

Boeing following an order ear-lier this year for 102 Boeing 737

airliners by GE Capital Avia-

tion Services, the US aircraft

Dowty's landing gear joint

venture with Messier of France

has also secured a further

airline orders.

By Alison Smith,

of selling the bank.

early 1990s.

in the same area.

estment Correspondent

A second inquiry by regulators

into commercial property lend-

ing at Hill Samuel, the mer-

chant bank, is casting a fresh

shadow over TSB's prospects

The Bank of England is con-

sidering a report by City law

firm Linklaters & Paine, com-

missioned by TSB, Hill Samu-

el's parent, into the merchant

bank's property lending in the

Its deliberations coincide

with a separate inquiry by the

Serious Fraud Office into

alleged financial irregularities

The Linklaters' report is

thought to focus on whether

Hill Samuel made proper and

Dowty's £90m

orders give TI

further boost

that BT has unsuccessfully tomers, shareholders and part-sought to join forces with the ners," it said. C&W added that many partners worldwide weeks. The group is undercable communications company. The first approach, made in the middle of last year, is understood to have failed due to the complex regulatory problems surrounding any

comment on details of the discussions yesterday. C&W would only say that it had received an approach late last year. "After carefully evaluating the proposal, the C&W board rejected it as not being in the best interests of our cus-

38 Airbus aircraft and 18 Boe-

ing 777s by International Lease Finance Corporation (ILFC) of

orders took the value of con-

tracts with Boeing, beyond 2500m for the first time.

Other UK aerospace compo-

nent manufacturers said they

would also benefit from recent

Lucas Industries, the auto-

motive and aircraft equipment

manufacturer, said that it

would supply parts worth

about £30m on the ILFC deal,

while recent new orders by

Asian carriers were worth a

Smith Industries also said

Enquiry casts shadow over

TSB's sale of Hill Samuel

concern events from 1990 to

1992, the fact that inquiries are

continuing is a blow to the

probability of an early sale of

at least some of the merchant

Its future within the Lloyds

TSB group, which was created at the end of last year by the

merger of Lloyds Bank and

TSB, has looked insecure since

the merger was announced last

It is not a part of the retail

banking and insurance busi-

ness which is the focus of the

disposal have persisted even

though Sir Brian Pitman,

were no plans to sell or close it

Rumours of an impending

Lloyds TSB chief executive. TSB in 1987 for £777m. Losses said last autumn that there of £422m in 1991 prompted TSB

October

further £45m.

the discussions were not expected to resume.

It is understood that C&W's board spent several weeks evaluating proposals from BT before rejecting the approach, made to the non-executive chairman Mr Brian Smith.

The cable company thought to have felt that BT was attributing too low a value to its businesses, which on Friday's close were valued at about £10bn: BT was more than double at £23bn. The board is also thought to

Christopher Lewinton, TI

chairman: Dowty profits ahead

outlook for our civil aerospace

TI Group, meanwhile, is later

this week expected to cite

improved contributions from

Dowty as one of the factors

behind increased pre-tax prof-

its of about £180m compared

finance and leasing businesses

could remain within the group,

but that the corporate finance

division could be sold if a

that it had been made aware of

the conclusions of Linklaters

report, along with the Bank of

England, and that the matter

had been dealt with as part of

its due diligence procedures for

investigation was handled

thoroughly and properly and that there are no material

implications for Lloyds TSB,"

to put the merchant bank on

Hill Samuel was bought by

"We are confident that the

Lloyds TSB said yesterday

buyer was forthcoming.

Kong Telecom, which is responsible for a significant proportion of C&W's profit. Meanwhile, C&W is expected

Much of C&W's global business

is based on telecom licence

agreements and joint ventures

BT has reportedly been keen

for a link with C&W for some

time. It is understood to be par-

ticularly attracted by C&W's

57.8 per cent stake in Hong

with governments.

would have objected to ele-ments of the merger proposals. seven candidates from within the telecoms industry, five of whom are American. The other two are helieved to be from continental Europe.

Mr Smith, who was temporarily recalled to head C&W following the departures of Lord Young and Mr Ross, is now expected to remain in his post for the time being. Under the company's articles of association either the chairman or chief executive must be a Brit-

# **BET** predicts 27% increase in dividend payout

BET, the business services group, yesterday surprised investors by predicting a 27.5 per cent dividend increase as part of its defence against the £1.9bn hostile takeover bid from Rentokil.

The forecast, higher than expected, was contained in the group's first defence document which also revealed that BET had been on the verge of bank-

ruptcy five years ago. In addition the document dis-closed that 44 BET executives stand to make £9.6m from a controversial incentive plan if Rentokil's bid succeeds. It is understood that about £3m of this will go to Mr John Clark. chief executive.

Sir Christopher Harding, chairman, described the offer as "inadequate" and said: "BET's earnings have recently grown at a substantially faster rate than Rentokil's."

There was no profits forecast, although BET said its dividend cover would remain 'prudent". It is predicting a dividend of 5.1p in the year to March 31, compared with 4p In response to the document

Mr Clive Thompson, Rentokil's chief executive, said: "We are happy for Rentokil's performance to speak for itself." He added it was "so far proving difficult" to find any new information in the document. A more detailed response is expected early this week.

Meanwhile it emerged over the weekend that the Office of Fair Trading has begun an inquiry into the pest control market, of which Rentokil has a share of about 60 per cent. A previous inquiry in 1988 required Rentokil to give undertakings to customers. Rentokil said it had not

asked for the undertakings to be relaxed. The OFT said yesterday that the inquiry was "informal" and was part of its

try under review.

BET said that the high mar-

gins that Rentokil achieves in pest control could be under threat because of the entry into the UK market of Service-Master, the US market leader. BET claimed that its rival's

growth record - it has increased profits and earnings by more than 20 per cent in each of the past 13 years - had been maintained in part in recent years by currency effects and changes in account ing policies.

BET said Rentokil's claim to be familiar with the bulk of BET's activities was "flawed" as the overlap between the two group's businesses was less than 25 per cent. It said that Rentokil did not

understand some of BET's businesses and in others BET was already doing what Rento-kil said it planned to do. It also said that if the bid

succeeded Rentokil could face exceptionally high gearing, with a negative net worth of £60m supporting net debts of BET said it had been "close

to default" in early 1991, when it had £500m of outstanding commercial paper, which had very short maturities, backed by only £300m of committed bank facilities. At one stage it also broke the covenants on two bank facilities.

"The group had a full-blown liquidity crisis," said Mr James Lupton, a director of Barings Brothers and a BET adviser. Since then, BET said, it had

been restored to financial stability under Mr Clark, who joined in April 1991, and in the 18 months since April 1 1994 it had seen "impressive" headline earnings growth of 28 Over that period the group

had spent £307m on capital expenditure, which was more than 155 per cent of deprecia-

# Loss of credit eligibility licence hits is under Colorvision

By Peggy Hollinger

Colorvision, the Liverpool-based television and video A rule which helps determine whether a company's shares retailer, is today expected to are eligible for the FT-SE 100 issue a profits warning which index is to be reviewed amid will reveal a sharp drop in concern among some fund trading following the Office of Fair Trading's decision to managers about the recent inclusion of companies which revoke its consumer credit have relatively small amounts of shares publicly traded.

The company, which is appealing the OFT's January decision, will tell shareholders The FT-SE 100 index covers the largest UK companies. ranked by market capitalisa-tion, and inclusion in the index can greatly increase that its survival could be under threat if the situation is demand for a company's not resolved. As the appeal process could shares and boost its price.

The debate centres on a rule which says that a company is take up to a year, Colorvision is expected to call for a further meeting with the OFT this eligible provided it has a "free float " of at least 25 per cent that is, at least a quarter of its shares are freely available for Just two weeks ago Colorvision revealed that sales to the end of December were 15 per cent down on the previous

Index fund managers, who run a basket of stocks designed to mimic the performance of an index, have been concerned that the rule may have forced up their purchase price for some recent new

FT-SE

review

By Norma Cohen

They argue that demand from indexers has placed a scarcity value on shares with a free float of as little as 25 per cent, and suggest that the threshold should be raised. Mr Mark Makepeace, manag-

ing director of FT-SE Interna-tional, which manages the FT-SE indices and is a joint venture between the Financial Times and the London Stock Exchange, said that a review had been prompted by a request from two leading index fund managers, although there were no imminent plans for change. "We will only respond if there is demand for change. There is

not enough demand now." The rules are determined by an independent committee of actuaries, fund managers and investment analysts.

Secondary offerings of shares in two companies, BSkyB and National Grid, have been largely placed in the hands of index fund managers who needed to buy them in order to achieve their promised returns.

about the imminent flotation of UK mobile telephone company, Orange, whose initial offering will consist of 25 per cent of its capitalisation.

But Mr Makepeace said that research conducted by FT-SE International shows that the vast majority of stocks in the key index are freely available in the market. For the broader FT-SE Actuaries All-Share Index, some 10 to 15 per cent is not freely available.

Mr Makepeace conceded that "there may be a problem for some individual stocks". See fund management col-

income of about £1.3m, giving

appeal is decided, it is believed : that the OFT's damning comments have been used by competitors in shop window adver-32-year-old high street retailer

In January, the OFT sales.
In January, the OFT sales
Colorvision "had failed age,
quately to ensure that unfit
and improper business prior
tices were not carried on other
than where it had been possurised by the regulation
authorities or some other authorities or some other external source into putting an end to them. Some of the cits cisms relate to the inactured publication of annual parcel.

in its defence, the company
has claimed that its infringements have not been under
serious or unique in the indiatry. Colorvision has pointed out that the OFT had renewa the group's consumer cred licences for live years from It has also claimed to h

developed new procedure training and manuals to di with the problem. normally account for about

The group has also acknow edged it has 20 count conv nct sales have fallen sharply tions, mainly for advertis but it said the last prosecution Although the licences had followed an incident remain in effect until the

# Pillar to follow its larger rivals

By Simon London,

Pillar, the UK property company, is expected to announce this week that it is buying two leisure parks in a move which underlines investors' growing enthusiasm for

However, it is understood

that since then sales have suf-

fered a far greater drop. Both

consumer credit sales, which

half overall turnover, and prod-

since the OFT's announce-

The deal is Pillar's first move into the leisure sector, following MEPC and British Land, its larger rivals.

Leisure parks combine cinemas, restaurants and activities such as bowling and bingo on a single site. Investors hope they will deliver strong rental growth at a time when the outlook for the mainstream UK property market is uncertain. Pillar is paying £16.8m to

acquire two parks under devel-opment at South Tyneside and Stockton-on-Tees. The vendor is THI, a special-

ist developer of leisure property, which last year formed a joint venture with British Land to build three parks.

The investments being acquired by Pillar are expected to generate annual rental a yield of just over 8 per cent

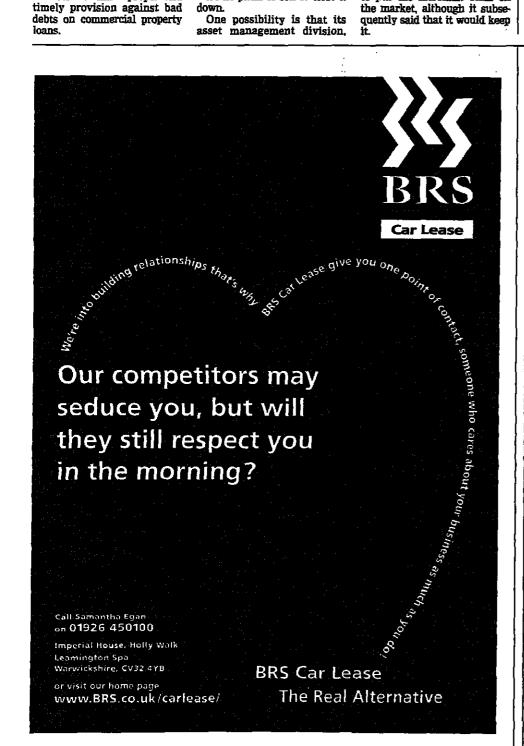
The yield on which leisure properties change hands has declined by at least 1 percentage point over the last two. years, reflecting growing demand among investors.

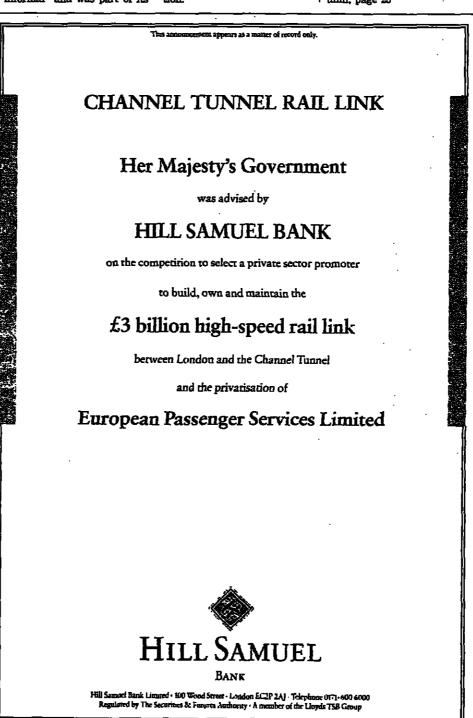
Property agents said that shortage of suitable sites could drive yields down further still as investors compete to acquire the best developments.

The Teeside Leisure Park at Stockton-on-Tees, which will be completed towards the end of this year, will incorporate a bingo hall and nightclub operated by First Leisure, a Bass public house and a 10-pin bowling alley.

The site is adjacent to an existing leisure scheme which includes an MGM cinema.

Boldon Leisure Park, south likely to feature an MGM Cinema and restaurants including a Burger King outlet, Further buildings could be added in a second phase of development.





# West Rand Consolidated Mines Limited

(Registration Number 01/01978/05) (Incorporated in the Republic of South Africa)

Notice of Annual General Meeting

Notice is hereby given that th 91st Annual General Meeting of members of West Rand Consolidated Mines Limited will be held in the Boardroom, 5th Floor, First National Bank House, corner Fredman Drive and West Street, Sandion, Johannesburg, at 11.30 am on 19 April 1996, for the following purposes: 1. To receive and consider the annual financial statements for the year

ended 31 December 1995;

2. To elect directors in accordance with the company's Articles of

3. To place the unissued shares under control of directors in terms of the provisions of the Companies Act, 1973;

To fix the remuneration of the directors in company's Articles of Association;

To re-appoint the auditors in accordance with the company's Articles of Association; and

6. Special Business

The following ordinary resolution will be proposed for members to consider and, if deemed fit, to pass with or without modification: 6.1 Ordinary Resolution to approve the allotment and issue of

shares to directors Shares to directors
"Resolved as an ordinary resolution that directors referred to below having been granted options during the year in terms of West Rand Consolidated Mines Limited Group Employee Share Incertive Scheme Trust, the company hereby approves, in terms of section 222(1)(d) of the Companies Act, 1973, the allotment and issue to any director referred to below of any of the number of shares set out against his name in so far as he manufacts the confirms in resolutions absonct.

exercises his options in respect of those share Name of Director Number of Shares

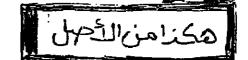
250 000 250 000

A member entitled to attend and vote at the annual general meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. Forms of proxy must reach the Johannesburg or the London transfer office of the company at least 48 hours (Saturdays, Sundays and official Public Holidays excluded) before the time of the annual general meeting.

A holder of a share warrant to bearer who desires to attend or be represented at the annual general meeting must compty with the "Conditions governing share warrants" currently in force. Thereupon a proxy or an attendance form under which such share warrant holder may be represented at the annual meeting will be issued. By order of the board V E KING

Crir Fredman Drive and West Street Sandion, Johannesburg (PO Box 31198 Braamfonlein 2017) South Africa London Transfer Office

Note. The 1995 ennut report is being posted to registered sha



# **COMPANIES AND FINANCE**

# Incentive to continue with asset disposals

By Hugh Carnegy in Stockholm

The State of the S

ivals

- 10 10 10 10 17. /

Incentive, a key Wallenberg empire company, is set to fol-low its full takeover of Gambro, the Swedish medical technology group, with significant asset disposals this year as it further remodels its diverse clutch of industrial holdings, Mr. Mikael Lilius, chief execu-

tive, said yesterday.
But he said there were no plans for incentive to offload the shareholdings it has through which the Wallenbergs exercise their half-owner-ship of Asea Brown Boveri, the Swiss-Swedish engineering grant, and half their control-ling stake in Electrolux, the household appliance maker.

By: Nikki Tait in Sydney

goldmining group which snapped up 14.9 per cent of Mr Robert Champion de Crespig-

ny's Normandy mining group in a stock market raid last

year; has told its target that it

Newcrest also owns 12.5 per

cent of PosGold, Normandy's

listed 51 per cent-owned gold-

mining offshoot. The initial PosGold stake was bought at

the same time as the Nor-

mandy holding, and topped up

The merger suggestion was

in the market last week.

Although neither fit with Incentive's strategy to be an operational industrial company focused on medical technology. Mr Lilius said the group would keep both holdings. "There are no immediate plans for change and Flanton. regarding Asea and Electrolux," he said. But he added: "You will see further restructuring in 1996."

The main candidate for sale is Skandinaviska Elverk (SEV), a highly profitable power company with turnover last year of SKrl9bn (\$279m) that currently supplies about 3 per cent of Sweden's electricity consumption. "[SEV] is in very good shape but it is not a perfect fit," Mr Lilius said. He was speaking after Incentive announced a jump in pre- over last year, is now comfort-

Newcrest seeks merger talks

pigny in Frankfurt last week. Normandy rejected the sugges-

tion, at least for the time being, saying it was "inappro-

priate to discuss or consider

any such approach before the

The Newcrest share raid

came just weeks before share-holders in Normandy and three

of its satellite companies

(including PosGold) were due

to vote on a four-way restruct-

uring which would see them

PosGold, the two companies

Aside from Normandy and

merged into one entity.

with Normandy after raid

Newcrest, the Australian a meeting with Mr de Cres-

would like to "explore the outcome of the Normandy

advantages of a possible merger meetings is known".

tax profits - excluding contri-butions from associated companies - from SKr2bn in 1994 to SKr2.6bn last year. Group sales rose from SKr18.4bn to

Incentive's steady evolution to a more focused, growth-oriented operation from a highly diversified conglomerate took a big step forward this year with the full takeover of Gambro, a blood treatment specialist which is a world leader in renal care. Earlier this year, the group

sold Hasselblad, the prestigious specialist camera maker, in the latest of some 40 disposals in recent years.

Medical technology, which accounted for SKr10bn in turn-

of Kalgoorlie. PosGold has

large minority stakes in both.

group merger, the re-consti-

tuted board could then discuss

Crespigny to address its board

tomorrow and explain why

Newcrest should support the

four-way merger - an invita-

tion which has been accepted.

will be put to shareholders of

three of the groups involved

next Friday, and to North Flin-

ders shareholders on April 4.

The existing merger plan

investment vehicle. But the Wallenberg camp has ruled this out, apparently for tax and other reasons.
Instead, Mr Lilius said remaining trading operations

ably the biggest unit in Incen-

to own operations in transpor-

tation, environmental equip-

ment, materials handling and

Electrolux stakes.

power, as well as the Asea and

Mr Lilius has made little

secret of his long-term preference to offload the Asea and Electrolux holdings. One fre-

quently canvassed solution

would be to reshuffle them into

Investor, the senior Wallenberg

would be sold off and the

tive. But the group continues ating margin of more than 31 per cent last year, well ahead of the 14.8 per cent returned by Gambro, the next most profitable unit

Incentive is spending SKr10.8bn on buying up the 58 per cent of Gambro it did not already own. It has won acceptances for more than 99 per cent of the shares. The acquisition will reduce

ratio from 52 per cent to 35 per Mr Lilius said there was no urgent need to raise capital to strengthen the balance sheet.

Incentive's equity to assets

But he wanted to be prepared to finance Gambro's ambitions to expand, including through power operations were also likely to be disposed of.

# **Escom chief** cuts stake as part of reshape

By Michael Lindemann

Mr Manfred Schmitt, chief executive of Escom, the beleaguered German computer retailer which recently announced 1995 losses of DM125m (\$84.25m), has reduced his stake in the company he founded from 48.5 per cent to 30 per cent as part of a restructuring which will give Escom DM100m of fresh funds.

A 16 per cent tranche has been passed on to BV Beteiligungsgesellschaft, a subsidiary of the Munich-based Bayerische Vereinsbank, and a further 2.5 per cent has been taken up by Siemens Nixdorf, the German computer manufacturer which already held a

10 stake. Mr Schmitt's move coincides with a capital increase of DM60m and extended credit lines worth DM40m. The new shares have been taken up by Commerzbank, Germany's third-biggest bank, and "will be offered to shareholders who are entitled to them at the

next available opportunity "The shareholders and the hanks have thereby created the conditions which will enable Escom, through a consolidated financial base and an expanded group of shareholders, to successfully develop its business," the company said in a statement.

However, Escom's prospects remain unclear, especially as the DM125m losses contrast sharply with the significantly better figures forecast just six months ago.

The company said on Friday that while business this year remained brisk, there was no prospect it would be strong enough to make up for the slump in Christmas sales, a vital period for computer makers, and that stock problems persisted.

Escom's recent difficulties have put paid to a deal with RWE, one of Germany's largest conglomerates, which had said last September it would take a 12.5 per cent stake in Escom in order to improve the sales of its telecom businesses through Escom's 450 retail outlets across Europe.

# **NEWS DIGEST**

# Promodès ahead to FFr1bn for year

Promodès, the French retail group, reported net income up 13.6 per cent to FFr1bn (\$196.8m) for 1995. Turnover rose 6.2 per cent to FFr101bn, which the group said represented an increase of 6.6 per cent on a comparable basis and at constant

exchange rates.

Operating profits fell 6.3 per cent to FFr2.2bn, which it said reflected new fiscal measures adopted by the French government costing an additional FFT108m, as well as its policy of accelerating development in other countries. Group debt represented 57.1 per cent of shareholders' funds. The board recommended a dividend of FFr12 per share, up 14.3 per cent.

# Brazilian steelmaker slips

Brazilian steelmaker Usiminas reported a net profit of R\$326.8m (US\$332m) for 1995, down from R\$356.9m in 1994. Turnover was R\$2.11bn, against R\$2.36bn in 1994, and return on shareholders equity dipped from 14.1 per cent to 11.9 per cent. Earnings per 1,000 shares were R\$0.147, against R\$0.159. However, comparing the two years is difficult because Brazil changed currencies in July 1994.

Total production fell slightly from 4.28m tonnes to 4.26m tonnes. Sales fell from 3.78m tonnes to 3.64m tonnes, with domestic sales down from 2.46m tonnes to 2.45m tonnes and exports down from 1.32m tonnes to 1.2m tonnes.

Jonathan Wheatley, São Paulo

# Commerzbank in share sale

Commerzbank, Germany's third-biggest bank, has sold the last of the 15.4 per cent stake in the Thyssen steel and engineering conglomerate which it bought last year, passing just over 2m shares on to mostly UK pension funds for a total of about

The disposal means that the Fritz Thyssen Stiftung, a Thyssen family foundation, still holds an 8.6 per cent stake in the Disseldorf-based group, as one of only two significant investors. A further block of 11.5 per cent will continue to be held equally by Commerzbank and the Allianz insurance group through an investment company. The remaining 79.9 per cent shares are held by private or institutional investors.

Commerzbank bought the 15.4 per cent stake last year from Counts Federico and Claudio Zichy-Thyssen, great-grandsons of the company's founder, August Thyssen. The bank said, however, that it never regarded the shares as a permanent investment and would pass them on to other investors within the 12-month period permitted by German cartel law. Michael Lindemann, Bonn

# Popolare chief tipped for job

Mr Francesco Cesarini, chairman of Banca Popolare di Milano, is expected to be elected next chairman of Italy's stock exchange board following his inclusion among the 14 members appointed to the new board.

The appointments, made by Mr Lamberto Dini, the prime minister, acting in his role as treasury minister, follow consultations with brokers' associations. They do not include the present chairman, Mr Attilio Ventura, who has led Milan's stock exchange through its reforms of the past three years.

Mr Cesarini, one of five members reappointed, would represent continuity with the previous board, of which he was vice-chairman and whose mandate expires on March 15. The new board, which includes representatives of the central bank and Consob, the stock market watchdog, will play a transitional role guiding the stock exchange's transformation from a public into a private institution. John Sinkins, Milan



Robert de Crespigny: will address Newcrest board tomorrow

# Japanese steel groups move back into the black

By Michiyo Nakamoto in Tokyo earthquake in January last

Four of Japan's leading steel companies expect to announce a return to profit for the first time in three years when their business years end at the end of March, although some have downgraded earlier forecasts. Kawasaki Steel, Kobe Steel, Sumitomo Metal Industries and NKK are moving out of the

red, helped in most cases by restructuring.
Kobe Steel, which was hit by the effects of a devastating

year, expects record net profits of Y67bn (\$633m), against net losses of Y96bn a year ago.

However Kawasaki and Sumitomo, along with Nippon Steel, have warned that weakness in both domestic and overseas markets mean profits will be smaller than expected.

Nippon Steel, the world's largest steelmaker, now says recurring profits - before extraordinary items and tax will be Y63bn rather than the expected Y80bn. against Y11.2bn in the previous year. The company projects the increase despite a fall in sales to Y2.080bn from Y2.090bn. Kawasaki Steel expects

recurring profits of Y16bn compared with a Y18.3bn loss last year, and Sumitomo Metal Industries is forecasting recurring profits of Y20bn.

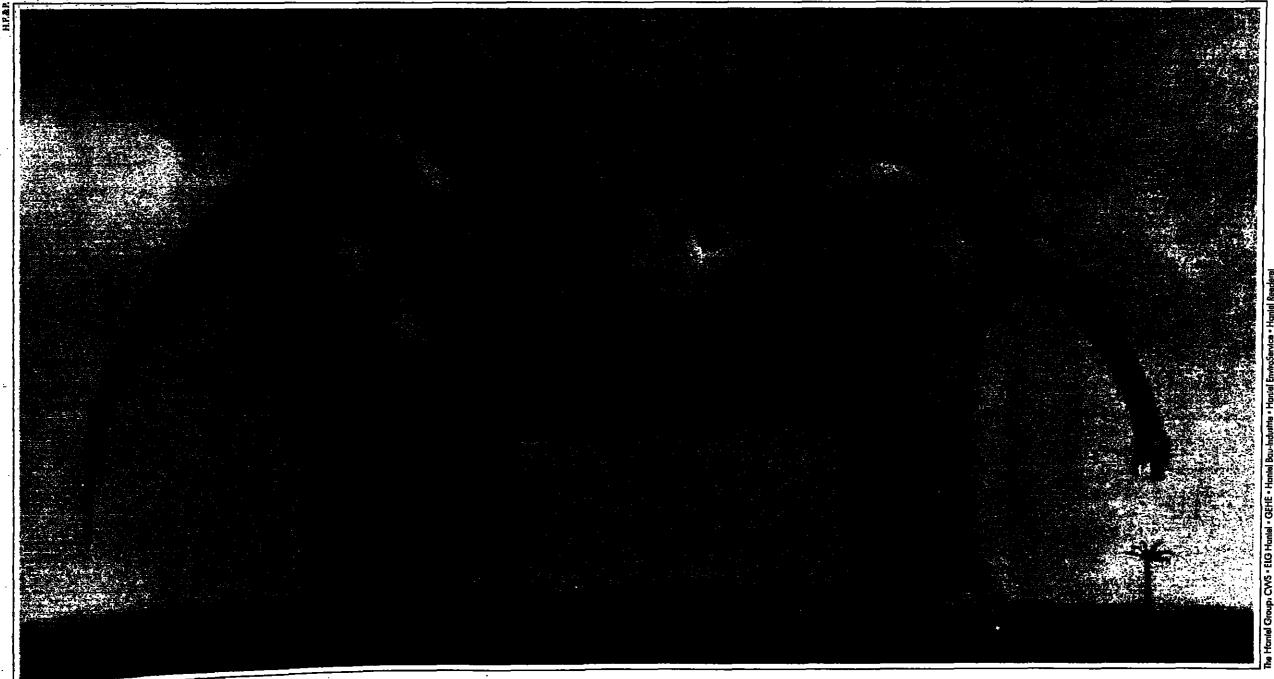
The three companies are more dependent on steel products than NKK and Kobe Steel, which respectively have large industrial plant and machinery an ahminium businesses.

The earlier part of the year was marred by a sharp rise in the yen's value, which led to falling competitiveness overseas as well as a flood of imports from lower-cost foreign steelmakers, notes Mr Minoru Hasegawa, industry analyst at BZW Securities in

Meanwhile, Japanese steelmakers had been encouraged by expectations of big rebuilding in the Kansai area that was hit by a severe earthquake, to boost production.

However, that demand failed to materialise as expected and in the latter half of the year, the slow pace of reconstruction combined with a near-40 per cent increase in imports to depress prices and resulted in a build up of inventories. At the same time, markets overseas also turned weak.

The steelmakers do not expect the situation to improve dramatically in the year ahead. As a result, they are counting largely on further restructuring to help them through.



# WE'VE ALWAYS BEEN A BIT MORE FLEXIBLE THAN THE OTHER BIG BOYS. THANK GOODNEES

Science makes no bones about it: failure to adapt to a changing environment always ends in a trip to the evolutionary scrap yard. Which is not to say that size is an impediment to survival. Far from it. After all, with 35,000 employees worldwide and an annual turnover of DM 24 billion, you wouldn't exactly call Haniel a lighweight.

Instinctively, we've always known how best to

adapt to the constantly changing conditions of the market, and how to distribute our corporate weight to maximum advantage. For instance, by opting for decentralised units that react with entrepreneurial swiftness. Close to the customer. Eminently flexible.

So it's hardly surprising that we cut such a fine figure in the highly competitive fields of production, trading and services. It's something we've been doing for more than 240 years. Given the average life expectancy of a company, this is no mean

achievement - especially in an era when more than a few of the big boys have gone the way of the dinosaurs...

# **HANIEL**

Franz-Haniel-Platz 1, D-47119 Duisburg

Convening Notice

Shereholders are kindly invited to attend an Extraordinary General Meeting of Shareholders to be held at the offices of Sanque Générale du Luxembourg, 50, Avenue J.F. Kennedy, L-2951 Luxembourg on Tuesday 26 March, 1996 at 3 p.m. with the following agends.

The change of the consolidated currency from ECU to US Dollars with effect from 1st April 1996 or such other date as may be determined by the general meeting of shareholders and to amond Articles 5, 23 and 25 to this effect.

A change of the current practice of issuing Shares et a Subscription Price and a Redemption Price to the issue of Share at a price based on the Net Asset Value per Share with an adjustment for notional dealing costs and an initial charge or a redemption charge as may be decided by the Board from time to time and described in the Company's prospectus from time to time and amendment of Article 5, 6, 8, 21, 22, 23 and 24 of the Articles to reflect this change.

Articles to reflect this change.

The amendment of Articles 21 of the Articles so as to provide for the possibility for the Board to decide the redemption of all outstanding Shares of the Company or the termination of a specific class or classes, the merger between classes of the Company or the merger of a class or classes with another Lucembourg Ucits if the Board deems it appropriate because of the changes in the economical or political situation affecting the Company or the relevant class or classes or because it is in the best interests of the relevant shareholders or if the Net Asset Value of all outstanding Shares is lower than 20 million US\$ or if the Net Asset Value of all outstanding Shares is lower than 10 million US\$ or if the Net Asset Value of any class is lower than 10 million US\$ or if the Net Asset Value of any class is lower than 10 million US\$ or if the net Asset Value of any class is lower than 10 million US\$ or if the net Asset Value of any class is lower than 10 million US\$ or if the network that the termination of a class or classes with another Lucembourg Ucits being otherwise subject to class meetings of the class or classes to be terminated or marged, defiberating validly without quorum and at a simple majority vote.

The amendment of Article 21, second paragraph, sub-paragraph (I) to

The amendment of Article 21, second paragraph, sub-paragrap replace ECU 1.000 by US\$ 1.000 and sub-paragraph (ii) by re ECU 2.500 BY US\$ 2.500.

The amendment of Article 22 to allow the Board to determination of Net Asset Value of a class in case of liquidate that class.

. The amendment of Article 26 to provide for decisions on distribution o dividends of the relevant Fund by class meetings of the relevant Fund

n the current market environment, a number of Sub-Funds no longer appear o meet investors' needs and have become so small that it is not in Shareholders' interests to continue them.

At their current levels many of the Sub-Funds are suffering a heavy burden of fixed operating expenses against a relatively low asset base, wich has a letrimental effect on the investment performance of the Sub-Funds

Shareholders are therefore kindly invited to attend class meetings with the following agendes. to be held at the offices of Benque Générale du Luxembourg, 50, Avenue J.F. Kennedy, L-2951 Luxembourg, on Tuesday 26 March 1996 at the times indicated below. liass meeting of Klaimwort Benson Select Fund-Dollar Bond Fund at 3.15 p.m

Agends

To approve the termination of Kleinwort Benson Select Fund-Dollar Bond Fund with effect 31st March 1996 or such other date as mey be determined by the class meeting (the "Effective Date) and redemption of the Shares of the Shareholders at a price corresponding to Net Asset Value per Share determined on the last Valuation Day preceding the Effective Date.

Agenda
To approve the termination of Kleinwort Benson Select Fund-European Bond
Fund with effect 31st March 1996 or such other date as may be
determined by the class meeting (the "Effective Date") and redemption of
the Shares of the Shareholders at a price corresponding to the Nat Asset
Value per Share determined on the last Valuation Day preceding the
Effective Data.

Agenda

To approve the termination of Kleinwort Benson Select Fund-Global Convertible Bond Fund with effect 31st March 1995 or such other date as may be determined by the class meeting (the "Effective Date) and redemption of the Shares of the Shareholders at a price corresponding to the Net Asset Value per Share determined on the last Valuation Deypreceding the Effective Date.

Agands

To approve the termination of Kleinwort Benson Select Fund-British Fund with effect 31st March 1998 or such other date as may be determined by the class meeting (the "Effective Date) and redemption per Share of the Shareholders at a price corresponding to the Net Asset Value per Share determined on the last Valuation Day preceding the Effective Date.

Class meeting of Kisimwort Benson Select Fund-European Fund at \$.35 p.m.

Agenda

To approve the termination of Kleinwort Benson Select Fund-European Fund with effect \$1st March 1996 or such other date as may be determined by the class meeting (the "Effective Date) and redemption of the Shares of the Shareholders at a price corresponding to the Net Asset Value per Share determined on the last Valuation Day preceding the Effective Date.

ting of Kielmwort Benson Select Fund-Japanese Fund at 3.40 p.m

Agenda

To approve the termination of Kleinwort Benson Select Fund-Japanese Fund with effect 31st March 1996 or such other date as may be determined by the class meeting (the "Effective Data) and redemption of the Sharea of the Shareholders at a price corresponding to the Net Asset Value per Share determined on the last Valuation Day preceding the Effective Data.

ting of Kleinwort Benson Select Fund-North American Fund at 3.45 p.m.

Agenda

To approve the termination of Kleinwort Beneon Select Fund-North
American Fund with effect 31st March 1996 or such other date as may be
determined by the class meeting (the "Effective Date") and redemption of
the Shares of the Shareholders at a price corresponding to the Net Asset
Value per Share determined on the lest Valuation Day preceding the

Shareholders are advised that the extraordinary general meeting requires quorum of presence of 50% of the Shares issued and decisions shall b carried if approved by 2/3 of the shares present and/or represented at th meeting.

The class meetings require a quorum of presence of 50% of the shares issued within each class and decisions shall be carried if approved by 2/3 of the shares present and/or represented at the relevant class meetings. In order to participate in the extraordinary general meeting and class meetings, the holders of bearer stares must deposit their shares at the offices of Banque Genérale du Luxembourg, 50, Avenue J.F. Kennedy, L-2951 Luxembourg, by no later than 5 p.m. on 22nd March 1996.

The draft text of the proposed amendments of the Articles of Incorporation is available for inspection at the registered office of the Company and a copy thereof may be obtained on request.

Shareholders of the Errenging Asia Fund are further informed that the base currency of the Sub-Fund will, with effect from 1 April 1996 be changed from its current denomination in ECU to USS, the international currency with wich most emerging markets are closely linked. Shareholders of this Sub-Fund who do not concur with this change may redeem their Shares, without cost, until 1st April 1996. Finally we would like to inform you that both the Company and the Banque

Générale du Luxembourg, the Company's custodien and cantral administrator, have changed their registered offices to 50, Avenue J.F.

**Oesterreichische** Investitionskredit Aktiengesellschaft

Issue of up to US\$40,000,000 Subordinated Collared Floating Rate Notes Due 2004 of which US\$20,000,000 is being issued as the initial

Notice is hereby given that the notes will bear interest at 5.25% per annum from 11 March 1996 payable on 11 September 1996 will amount to US\$26.83 per US\$1,000 note, US\$268.33 per US\$10,000 note and US\$2,683.33 per US\$100,000 note.

Agent: Morgan Guaranty



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at 5.01953% per annum for the period 11 March 1996 to 10 September 1996, Interest payable on 10 September 1996 will amount to US\$127.58 per US\$5,000 note and US\$2,551.59 DET US\$100,000.

CREDIT LYONNAIS

Floating rate notes 2003

US\$100,000,000

Agent: Morgan Guaranty Trust Company

**JPMorgan** 

WOOLWICH - Building Society -

\$100,000,000 Floating rate notes due 1996 Notice is hereby given that

the notes will bear interest 7 March 1996 to 7 June 1996. Interest payable on 7 June 1996 will amount to £157.73 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

**JPMorgan** 



BANK OF GREECE US\$300,000,000 Floating rate notes 2003

The notes will bear interest at 6.01953% per annum for the period 11 March 1996 to 11 September 1996. Interest per US\$1,000 note will amount to US\$30.77.

Agent: Morgan Guaranty Trust Company

**JPMorgan** 

# COMPANIES AND FINANCE

# Japan's shipyards in doldrums

Competition from Asia, excess supply and high costs have all taken their toll on the industry, writes Gerard Baker

western Japan offers a powerful illustration of the current plight of Japanese

A month ago, the US navy informed Sasebo, one of Japan's eight largest shipbuilders, that it wished to use the dock for long-term repairs to one of its ships, the 45,000 tonne USS Belleau Wood. In other circumstances the prospect of such a repair contract might appear enticing to a struggling shipbuilder. But the deal did not promise

to be lucrative at all for Sasebo. In fact, the plan was that they should do it for free. Under the terms of a contract between US forces, the Japanese government and Sasebo, in effect since the second world war, the US navy has the right to dock its ships at Sasebo's yards and have them

repaired for nothing.
But last month, in an unprecedented act of defiance, the company refused. Tying up its largest dry dock for six months would, it said, cost the company Y9bn (\$85m) - almost one third of its entire halfyearly turnover.

"The use of Dock Number 3 in this way would literally kill the company," says a manager in the planning division at the company. "We will lose other clients who will not be able to have their ships repaired they will almost certainly go to other Asian yards, and will probably never come back." Mr Ryutaro Hasegawa, the company's president, told the US navy that Sasebo could not agree to the plan. In the past,

he explained, the company

might have been able to afford to allow a deal like the one proposed, but it was no longer financially healthy enough. Negotiations have since come close to settling the dispute - it is probable that the US navy will agree to pay some of the repair costs. But the unusual acknowledgement of financial difficulties by Sasebo's management highlighted the continuing weakness of an industry that has been almost

war economic success. Once unrivalled as the world's leading shipbuilders, Japan's yards have hardly been out of the doldrums in the nest two decades. Following the oil shock in the mid-1970s, Japanese companies have had difficulty adjusting downwards their enormous

synonymous with Japan's post-

capacity.

ry Dock Number 3 at still face a hard slog in the face the Sasebo shipyard in of excess supply at home and abroad, and high costs as a perennially strong currency intensifies competition in Asia. At first sight, such a gloomy prognosis sits uneasily with

the recent evidence. Last year Japan confirmed its status as the world's largest exporter of ships. It lost that title in 1993 for the first time in more than a decade - to South Korea - but bounced back in 1994 and consolidated its position in 1995. Total orders received were 8.1m gross

Japan still produces about one third of the world's ships and, since the business is heavily cyclical, the emerging recovery in Japan and continu-ing strength in Asian markets should ensure that demand over the next few years grows

Even the Korean yards, long regarded as the nemesis of Japan's shipbuilders, have started to discover some of the costs of their own rapid growth. Their wage bills are rising rapidly and their keen competitive edge over their rivals has dulled. But that is where the good

news ends. The big Japanese companies recent performance is merely part of the long stagnation of

Domestic Foreign flag

Japanese shiprepair sales

And these are dollar-denominated figures. The situation has been much worse for Japanese companies as the exchange rate has moved sharply against them. In the period when the Japanese were increasing their share of orders, the yen reached its peak against the dollar, at around Y80 - a factor that will bite hard into margins over the next few years. This problem will continue to be significant even if, as expected, dollar prices stage a mild recovery in the next few years.

Although growth in world demand is likely to lift orders over the next 10 years, that growth will coincide with expansion in global capacity. A recent wave of Korean investment will, according to some the ship market in the past estimates, lead to overcapacity

In the year to March 1995, combined shipbuilding turnover was Y863bn, a fall of 17 per cent on a year earlier

decade. A gap of up to two years between orders and deliveries is reflected in recent sales and profits.

In the year to March 1995, combined shipbuilding turnover was Y863.1bn, a decline of 17 per cent on a year earlier. (Other activities - such as heavy equipment manufactur-ing - offset much of the shipbuilding declines for most companies, but the decline in core business was dramatic.) Profit margins hit their lowest level for four years. But if the past has been dis-

appointing, the future looks leaker. Japan's return to the top of the world exports league has been achieved at a cost. The prices at which most of these contracts have been struck have been among the lowest for years - for some categories of ship, nearly 20 per cent below their peak in 1992. The price of a 250,000 tonne very large crude carrier of up to 50 per cent in world markets by early next century. Japanese companies also face further pressures from the shrinking defence market at home. Government defence plans for the rest of the decade, published late last year, envisage the deepest cuts in naval vessels for decades. Unlike other countries' shipbuilders. Japan's yards cannot make up that shortfall through military exports, since they are barred from selling defence equipment

But the Japanese have not been idle in meeting this formidable array of challenges.

To reduce costs, they have stepped up purchases of materials from overseas, in an attempt to turn the high yen to advantage and to avoid the most extreme effects of Japan's high labour costs. Hitachi Zosen announced last year that it intended to raise overseas materials purchases to about per cent of total the harsh reality is that they per cent between 1992 and 1995. materials purchased in the cur-decades ago.

rent year - almost twice the level of a year earlier. Mitsubi-shi Heavy Industries, the largest company, said it would begin sourcing marine engines from manufacturers in Europe and Korea.

Investment in new technologies is also beginning to feed through into profitability. The re-equipping of shipyards with increasing automation has pushed Japanese production efficiency well ahead of its Asian competitors.

Most of the larger companies are also exploiting the diversi-fied nature of their businesses and expanding other heavy engineering projects. Shipbuilding now accounts for just 8 per cent of Kawasaki Heavy Industries' total revenues, and 15 per cent of Ishikawajima Harima Heavy Industries'

But perhaps the most intriguing developments have been the first tentative steps towards partnerships. In the past 12 months a number of collaborative projects have been announced by the big companies. In the defence field, IHI and Sumitomo Heavy Industries announced plans for a company to build and repair warships. Hitachi Zosen and Mitsui Engineering and Shipbuilding signed a similar deal.

In civil shipbuilding, partnerships have even begun across borders. Last September, for example. IHI signed an agreement with a Chinese yard to build cargo vessels for a Euro-

The expansion of shipbuilding facilities in Asia over the next few years will test Japanese companies to the full. Many still have considerable overcapacity, in spite of closures, mothballing of several shipyards and a sharp decline in workforces. The prospect of closer integration - even partial consolidation among companies themselves - seems likely to be the next phase in their long adjustment process from the heady days of two

# NEWS DIGEST

# Sandvik sees lower result for 1996

A clear pattern for Sweden's leading exporters of weakening A clear pattern for oweden's leading expanses of weakening performance in recent months was echoed by Sandvik, the tools and specialty steels group, which reported a fall in profits in the fourth quarter of last year and warned that 1996 returns would be below the record set in full-year 1995. Sandvik said the surge that continued in the first half

carried the full-year pre-tax surplus for 1995 to SKr5.6bn. (\$825.3m), a 47 per cent rise over 1994's SKr3.8bn. Group sales rose 17 per cent from SKr25.2bn to SKr29.7bn. However, the group was hit by weakening demand in

western Europe in the second half, with conditions in France and Germany "surprisingly weak" in the fourth quarter.
Fourth-quarter pre-tax profits slipped from SKr1.35bn to
SKr1.31bn. "We expect a weaker economy in 1996 and a stronger Swedish krona, Accordingly, earnings in 1996 are expected to be somewhat lower than in 1995 - but will still be at a high level," Sandvik said.

Earnings per share in 1995 rose 53 per cent from SKr8.75 to. SKr13.40. The dividend was lifted 50 per cent from SKr3.75 to. Hugh Carnegy, Stockholm

# Neste doubles dividend

Neste, the Finnish oil and energy group, rewarded investors who bought shares last year, when the state-controlled company was partially privatised, by doubling its dividend for 1995, despite only marginal profits growth. Finland's biggest industrial group by sales said it intended to pay a dividend of FM2.40 a share, twice the level of the 1994 payout. The decision follows the sale of a 10m tranche of shares last November, reducing the government's stake in Neste to 83.6 per cent and resulting in the listing of the company on the Helsinki bourse.

As previously signalled, Neste said pre-tax profits in 1995 rose only slightly, from FM1.23hn to FM1.36hn (\$295.8m). The rise was chiefly the result of lower financing costs, as operating profits fell from FM2.24bn to FM2.14bn, mainly because of a FM200m wise in demandation. because of a FM300m rise in depreciation costs arising from a change in the treatment of goodwill. Group sales fell sharply from FM49.2bn to FM43.3bn, largely because of a deliberate reduction in Neste's international crude oil trading as it restructured in advance of the privatisation issue.

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# Brahma benefits from stability

Brahma, Brazil's biggest brewer, announced a sharp increase in profits for last year, helped by the country's economic stability. Net profits increased 73 per cent to R\$250.3m (US\$255m) in the year to December 31, from a restated R\$144.4m in 1994. No explanation was given for the increase, although all Brazil's brewers saw sharp rises in demand following the 1994 launch of a new currency, which brought down inflation and channeled more income to poorer

Sales, net of taxes, increased more than 30 per cent to R\$1.34bn, but operating expenses were controlled to only a 3 per cent increase. As a result, operating profits were ahead sharply, from a restated R\$186.6m in 1994 to R\$342.7m. The group said it opened three new breweries during the

year - including the largest in Latin America, where the company spent US\$680m on a unit with an annual capacity of 12m heciolitres of beer and 5m heciolitres of soft drinks. The company said its average annual productivity last year reached 7,000 hectolitres a head, a target it had not expected to A dividend of R\$8.95 per 1,000 shares was proposed.

Angus Foster, São Paulo

# BHP shares slip on warning

Shares in Broken Hill Proprietary, the Australian resources group, slipped 6 cents to A\$18.67 on Friday after the company warned that profits from its steel division would show a "significant deterioration" in the third quarter, to end-February, and for the first nine months of the financial year. In the first six months, profits from the steel business were down 15.1 per cent, at A\$292m (US\$222.8m). The company said that pressures on export steel prices, along with higher costs and lower Australian deliveries had continued into the third quarter. The warning came in a prospectus accompanying a US debt offering. BHP's third-quarter figures

# GRANADA IS MOVING

From 11 March 1996, the headquarters of Granada Group PLC will be at:

> Stornoway House 13 Cleveland Row Löndon SWIA 1GG tel: 0171 451,3000

> > GRANADA

GRANADA GROUP PLC



The fire which started on 28 February 1996 in an isolated area of the 31 Line longwall has been extinguished with the aid of the inert gas generator. It is anticipated that it will take approximately one week to rehabilitate the affected area and re-start production from the stope.

The fire broke our during the morning shift at a depth of 2200 metres below surface in the area served by the No. 1 Sub-Vertical Shaft. Initially, because of poor visibility caused by dense smoke, 104 employees had to be evacuated to refuge bays. Rescue teams then successfully brought all affected workers to surface. There were no casualties,

Loss in production due to the fire is estimated to be 247 kilograms of gold which is equivalent to approximately R12 million in revenue. This loss will be reflected in the current quarter's results and it is not anticipated that it will flow through to the next quarter. This loss is partially covered by insurance.

]obannesburg



8 March 1996

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# Blyvooruitzicht Gold Mining Company, Limited

(Registration number 05/09743/06) (Incorporated in the Republic of South Africa) ("Blyvooruitzicht")

TERMS OF THE RIGHTS OFFER

Further to the announcement dated 8 March, 1996, Rand Merchant Bank Limited is authorised to announce that Blyvooralizicht will undertake to raise approximately Rand 40 million by way of a renounceable rights offer to Blyvooralizicht shareholders ("the rights offer") of 6,599,993 linked units ("the linked units"), in the ratio of 15 linked units for every 100 Blyvooruitzicht ordinary shares of 25 cents each held by shareholders of Blyvoornitzicht, registered as such on Prkizy, 22 March, 1996. The sponsoring broker to the rights offer in the United Kingdom is Société Générale Strauss Throball

Each Haked unit will consist of an ordinary share ("the rights share") and an option to subscribe for one ordinary share ("the option"). The price of one linked unk will be 600 cents.

On The Johannesburg Stock Exchange ("the JSE"), the linked units will be delinked upon listing and the On the Johnson shock Exchange ( inc. ), the London Stock Exchange Limited ("the LSE"), the rights shares and the options will trade separately when fully paid. Each option will emittle the holder to subscribe for one ordinary share on any date prior to 31 December,

2000, subject to certain exceptions, at a subscription price of 600 cents per ordinary share. The option will expire on 1 January, 2001. **Underwriting** 

Randgold & Exploration Company Limited ("Randgold") has agreed to underwrite the rights offer upon the terms and subject to the conditions of the underwriting agreement to be entered into between Randgold and Blyvoorultzicht. Conditions precedent The rights offer is conditional upon the fulfilment of, inter alia, the following conditions precedent:

The JSE granting a listing of and the LSE permitting dealings in the renounceable (nil paid) letters of allocation and the JSE and the LSE granting listings for the securities to be issued by Blyvooruitzicht in terms of the rights offer; the registration of all requisite documentation by both the South African and United Kingdom

Registrates of Companies; and
- Blyvooruitzicht and Randgold entering into an underwriting agreement and the underwriting

A further announcement regarding the salient dates of the rights offer will be published on or about

It is expected that a prospectus relating to the rights offer will be issued on 29 March, 1996. Copies of the prospectus are therefore expected to be available for collection during normal business hours for a period of two business days from 29 March, 1996 from the Company Amountements Office. London Stock Exchange Limited, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London ECZ and on any weekday (Sanntarys and public holidays excepted) up to and including 12 April, 1996

Société Générale Strauss Turnbull Securities Limited Exchange House Primrose Street

Viaduct Corporate Services Limited 19. Charterbouse Street London ECIN 6QP

Broadgare London EC2A 2DD

Il March, 1996

London Stock Exchange Limited but authorised the issue of this announcement without approval of its content

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MANAGES

# Not enough Orange to go round

With all the index funds after a piece, setting a fair price could be sticky, says Norma Cohen

stakes in large companies

which have then entered the

publisher of the Financial Times, sold its 8.5 per cent

holding in BSkyB, which

pushed that company's traded

share capital just above the 25

per cent threshold. The stake

was placed almost entirely

Pearson was aware of the

premium that probable

entrance to the index would

place upon the shares and

structured the deal with its

advisers so that it captured

While BSkyB shares have

traded, for the most part,

above the price at which they

entered the index, passive fund managers are less happy about

the performance of their shares

Last December recently pri-

vatised regional electricity

companies sold enough shares

in the Grid for it to cross the 25

per cent threshold and enter the index. But the December

sale price of 208p has not been

Prices for shares in Orange,

BSkyB and National Grid were

arrived at through a "book-

building" exercise designed to

reflect actual demand. Without

demand from the indexers, one

may only speculate what the share prices might have been For their part, the advisers

say it is not in their interest to simply obtain the highest possible share price.

After all, they must approach index fund managers

again and again to huy new issues and antagonising them

Moreover, they are required

to maintain an orderly after-

market and setting too high a price will cost them dearly as

they try to stabilise a new

Instead, they point a finger

munity and the consensus-ori-

ented approach to portfolio

"The problem in the UK is

that the fund management

community is more concerned

with relative performance than with absolute performance,"

said one investment banker.

"That is what causes the real

The preoccupation with per-

formance returns close to the index, or to the industry

median, means that even non-

index fund managers want

more than anything to buy shares below or at the price

"Our target is to beat the price at which the shares go into the index." said Mr

Lacaille, an indexer. "It's not a

value-added process but it is

the least risky."
Indexers who feel that the

share price is too high have few options. There are hedging

strategies which can be

employed by those determined

not to buy over-priced shares. These include the purchase of

call options in advance of a

In the case of Orange, index-

ers may try to buy a proxy, possibly in the form of a basket of mobile telephone company

shares whose performance is

so-called tracking error - the

degree of deviation between

the tracked index's returns and

But some fund managers

believe the real solution lies in

requiring greater free float before a share can enter the

index at all. "You have to ques-

tion whether the rules are really up to date," Mr Lacaille

TAKE

PRECISE

those of the fund manager.

However, such alternative strategies raise the risk of

stock entering the index.

likely to be similar.

they enter the index.

is likely to backfire.

construction.

in the National Grid.

Last September Pearson.

FT-SE 100.

with indexers.

that premium.

seen since.

For most fund managers, the imminent flotation of UK mobile telephone company Orange requires making a straightforward decision about

value and price. Not so managers of index funds - those who manage a basket of stocks the performance of which is designed to mimic that of a key index, such as the FT-SE 100 or the FT-SE Actuaries All Share. These managers have little option but to buy, no matter

what the price. From late June, Orange, with an estimated market capitalisation of between £2.2bn and £2.4bn, will almost certainly be included in the FT-SE 100 and any fund manager committed to matching this index will have to own Orange

The problem is that Orange shares will be scarce: only a quarter of the company is

being offered to the public. London Stock Exchange rules have long allowed companies to obtain a listing provided that they have a "free float " of at least 25 per cent of their share capital - in other words, that 25 per cent is available for trading.

The same percentage threshold applies to inclusion in the FT-SE 100 index, which is made up of the largest UK

# FUND MANAGEMENT

companies, measured by total market capitalisation. Thus a company with a total capitalisation of £1.7bm, but with traded share capital of only £425m-£450m, can find itself in the

The rules of the index, which are overseen by an independent committee of City profes- at the fund management comsionals, pre-date the rise of index fund management in the UK. Some fund managers say that these rules may now be responsible for distorting the prices for some share issues those which only meet the minimum free float - and

should be reviewed. Index funds - which own an estimated 7 to 8 per cent of the shares on the UK stock market - need to buy the new issues to maintain their performance

objectives. A further 7 to 8 per cent of the market is dominated by quasi-indexers - fund managers whose strategy requires them to hold a weighting in every share in the index so that their annual returns do not deviate too far from it.

Thus, very little of a compa ny's shares may be subject to the bargaining between buyer and seller which helps determine a new issue's price.

"If 15 per cent of the UK market is indexed, that's about half of what is available," said Mr Rick Lacaille, director of structured products at Nat-West Investment Managers. The fact that Orange shares are almost certain to be admitted to the FT-SE 100 at the next quarterly committee meeting, on June 12, makes them "a pretty significant one-way

This point has not been lost on investment bankers who are responsible for distributing

new shares to investors. "These rules are probably slightly outdated," conceded one banker. "You could proba-bly increase the threshold [for entrance to the FISE] as the level of indexation in the UK

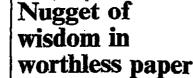
Orange is only the latest in a spate of offerings of partial



Notice is hereby given that for the interest period 11 March 1996 to 11 September 1996 the notes will carry on interest rate of 5.14453% per annum. Interest payable on 11 September 1996 will amount to US\$262.94 per US\$10,000 note and US\$6,573.57 per US\$250,000 note.

Agent Morgan Guaranty Trust Company

**JPMorgan** 



The second second

Anyone who has endured the ignominy of trying to pay for a restaurant meal with an overdrawn credit card will enjoy the experience of Donald M Coxe, recently-named chairman and chief strategist for Chicago-based Harris Investment Management, Norma Cohen writes.

Coxe, right, was in London last month, along with other luminaries, to address the joint international advisory board of Barrick Gold – one of the world's leading gold producers and Horsham, its controlling sbareholder.

He paused at fancy food purveyors Fortnum & Mason, near Piccadilly Circus, to buy some cheese and tea, paying with a \$50 note obtained from Harris Trust & Savings Bank, parent of his investment management

Unhappily for Coxe, the eagle-eyed shop assistant instantly spotted the note was a fake and called a security guard, who in turn called the police. They hauled him down to Vine Street, the local police station, for questioning. After 90 uncomfortable minutes,

the police were persuaded by virtue of his position, his temporary residency at a most exclusive, invitation-only hotel and his stock of genuine £50 notes, that he was the victim of someone else's fraud. Harris Bank, it seems, had

obtained the counterfeit £50 notes from a bank in New York which it has declined to identify publicly. although its name has been passed to US law enforcement authorities. Despite the discomfort of the incident. Coxe believes it offers

important insights into the relative merits of various monetary instruments.

"One lesson I learned from this," he told the assembled Barrick-Horsham board, "is the enduring value of gold.'



FINANCE

## Magalhães Pinto clan in a sea of troubles

There seems to be no end to the bad news afflicting Brazil's Magalhães Pinto family, one of the country's wealthiest, Angus Foster writes. Already distraught by the loss of the family's bank last year, its patriach and his sister both died within hours of each other last week.

The family was forced last year to give up control of Banco Nacional, a leading Rio de Janeiro-based bank, amid a liquidity crisis. Allegations of fraud, apparently involving several

billion dollars and going back several years, then started swirling around the bank and prompted the senate last Wednesday to instigate a full enquiry into Nacional and Brazil's financial system.

(19.00

José de Magalhães Pinto, the 86-year-old founder of Nacional and an important political figure in the 1960s, died of a heart attack on the same day the senate enquiry was announced. He had been ill for many years and family members denied any link between his death and the enquiry, saying he was rarely lucid in recent years. Although he had been told about the loss of the bank.

he had difficulty remembering such matters. Just a few hours later, his sister also died

Attention will focus in coming weeks on two of his sons who ran Nacional, Marcos and Eduardo, The senate is expected to call both as witnesses for its investigations, and ome politicians are already claiming the brothers must have known what was going on, which media reports blame on a senior functionary. Both have refused to comment publicly since they lost control of Nacional, which the central bank sold to its rival Unibanco last November.

Despite its wealth and connections the two brothers' sister, Ana Lucia, is married to the son of Brazil's President Fernando Henrique Cardoso - the family lives discreetly in Rio de Janeiro. Friends say the family is shocked by its sudden fall from erace, and Ana Lucia has hardly appeared in public since the bank's problems became known.

## No shotgun weddings for Belgian banking

Daniel Cardon de Lichtbuer is a man not afraid of controversy. Neil Buckley writes. The affable chief executive of Banque Bruxelles Lambert, Belgium's fourth-largest bank, last summer launched the biggest debate in the Belgian financial world - about the need for a "GBB", or "Grande Banque Belge".

Cardon's thesis is that there are "too many medium-sized banks in Belgium". None, he says, is big enough to compete in the international market - especially if the Belgian franc is swept away by a single European currency.

His views gained support in December from finance minister Philippe Maystadt, and a month later from Elio Di Rupo, economics minister. But they were not universally welcomed in the banking sector, and his statement in a newspaper interview last summer that he would like to see his own bank, BBL, merge with another produced a flurry of headlines

suggesting BBL was for sale - which the bank rushed to correct. Last week, reporting a 15 per cent increase in net profits, Cardon reiterated that his bank was "not for sale". But he defended his views on the need for mergers, and said it was almost inevitable that BBL would merge or form an alliance with another bank within the next few years, just as Banque de Bruxelles and Banque Lambert merged 21 years

ago to form BBL. Who might be a suitable partner? Ferdinand Chaffart, chief executive of Générale de Banque, said last week that his philosophy was to be "standalone". Meanwhile, Crédit Communal de Belgique, the state-owned bank seen by analysts as another candidate for merger with BBL, has, in the words of Cardon, "internal problems which make it difficult to be flexible".

Cardon retires from BBL next year, but the debate he sparked on the future of Belgium's banks may well outlast him.

## Dinner invitation from Sir Terence

Can Sir Terence Conran, the man behind glitzy London restaurants such as Quaglinos and Mezzo, persuade City workers to stay around after dark?

When the Great Eastern Hotel the only one in the Square Mile reopens in 1998 following a £30m refit, there will be three Conran eateries to choose from, including a glamorous 300-seater along the lines of Quaglinos, Simon London writes.

The lunchtime market should be easy to please. The City is notably short of affable and affordable lunch spots. But lunch trade alone is unlikely to deliver a handsome return on Conran's investment. "The real trick is to get people in the evenings," admits Des Gunewardena of Conran Holdings. "No one in the City has cracked it yet, but if we create a sufficiently exciting destination I am sure people will

This announcement appears as a matter of record only.

**March 1996** 

# Zagrebačka banka

SFR 130,000,000

**Term Loan** 

Arrangers:

Creditanstalt-Bankverein

Dresdner Bank Luxembourg S.A.

Union Bank of Switzerland

Lead Managers:

Managers:

Bank Austria Aktiengesellschaft Bayerische Vereinsbank Aktiengesellschaft Credit Suisse

Všeobecná úverová banka a.s., Bratislava Komerční banka a.s., Prague Banca Commerciale Italiana, Frankfurt am Main Branch Central Wechsel- und Creditbank Aktiengesellschaft WestLB Group

Co-Managers:

Baden-Württembergische Bank AG Bank für Arbeit und Wirtschaft Aktiengesellschaft Credito Italiano SpA, London Branch ING Bank Landesbank Schleswig-Holstein International S.A. Republic National Bank of New York

Bayerische Landesbank Girozentrale BHF-BANK/Živnostenská banka, a.s. Hungarian Foreign Trade Bank Ltd

Bank Brussels Lambert S.A., Brussels

Société Générale Berliner Bank AG - Bankgesellschaft Berlin Group Kredietbank N.V. Dublin Branch

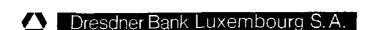
Banco Ambrosiano Veneto SpA Československá obchodní banka, a.s. DIE ERSTE österreichische Spar-Casse - Bank Aktiengesellschaft Landesbank Rheinland-Pfalz Girozentrale London Forfaiting Company PLC Zürcher Kantonalbank, Zürich

Agent:

Union Bank of Switzerland

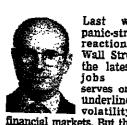


**CREDITANSTALI** 



Global Investor / Gerard Baker in Tokyo

# Turn of the Japanese bogeyman



reaction on Wall Street to the latest US jobs data serves only to underline the volatility of

financial markets. But the real threat to stability continues to lie with the Japanese recovery. For months the barely whispered fear in global markets has been of a re-run of 1994, with the Bank of Japan taking the place of the Federal Reserve as bogeyman. Alarmed fixed income investors have been watching anxiously for evidence of an end to the long Japanese slump. The risk was that higher interest rates would lead to a flood of Japanese money returning to Tokyo, sparking off a global

Last week's capital shortage with predict-panic-stricken able consequences. In this slightly paranoid

atmosphere the recent words of policymakers have been invested with all kinds of unin-tended significance. Step forward Mr Wataru

Kubo, improbable finance minister of Japan. The former school teacher and lifelong member of the socialist party was hustled into his post two months ago when no other member of the governing coalition could be prevailed upon to sacrifice himself over the increasingly intractable row about Japan's housing loan companies.

Mr Kubo has spent most of those two months trying to wriggle the government off the self-manufactured hook of its bailout plan for these bankrupt ses. But from time to

time he has ventured out, Pooter-like, into the world of real

His most consequential remark came three weeks ago, when he made the apparently unstartling observation that the current historically low interest rates in Japan were not much help to the country's savers - especially the old.

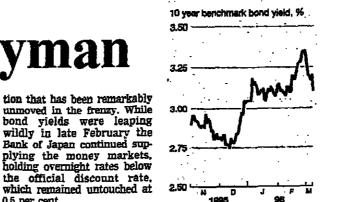
The fixed income markets were convulsed. Investors immediately took these rather kindly remarks from the sexu-agenarian socialist to mean the long-awaited Japanese credit tightening was about to start; the benchmark 10-year bond yield quickly rose to a six-

To be fair. Mr Kubo's remarks coincided with a change of sentiment in the fixed income markets. Bond

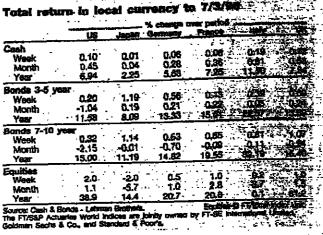
tion that has been remarkably unmoved in the frenzy. While bond yields were leaping wildly in late February the Bank of Japan continued supplying the money markets, holding overnight rates below

0.5 per cent.
Indeed it is impossible not to be impressed by BoJ officials' rigid determination to maintain control Mr Yasuo Matsushita, the governor, leaves no doubt about where his and the bank's priorities lie - in the need to foster the nascent but far from independently viable

economic recovery. Justification for this approach became even more evident when, at the beginning of this month, the bank published its quarterly survey of



kan is the most influential indicator of economic confidence, and the bank relies heavily on its conclusions in determining monetary policy. It is striking how often a disap-pointing tankan has been followed by an interest rate cut. The latest survey confirmed that recent heightened optimism about the recovery is misplaced. There was only a marginal and lower than



dence among large companies. The hollowing out of Japanese industry continues apace, with the share of overseas production at Japanese manufacturers rising from 18 per cent a

year ago to 21 per cent today. Demand conditions actually deteriorated from last November, according to the survey, with a growing balance of companies reporting excess inventories and supply. The labour market remains very weak,

with a similar increase in the balance of companies reporting a labour surplus. And the number of companies expecting to cut prices rose again. In short, a change in policy

is not an early priority for the BoJ. nor for the preoccupied bureaucrats at the finance ministry. Interpreting the auguries of the US economy may be getting more complicated by the week. Japan's remain unambiguous.

COMPANY RESULTS DUE

# Insurers expected to demonstrate improvement

■ Prudential: The UK's largest life assurance and investment group, announces full-year results for 1995 tomorrow, on a new basis to reflect the EU insurance accounts directive. The Pru restated its 1994 and first-half 1995 results last month. These showed an interim pre-tax profit of £499m, and analysts' forecasts for the new basis full-year are from £740m to £780m. Forecasts for the full-year dividend are for 15.5p-15.6p - a rise of at least

■ Legal & General: Full-year results are due from the large

UK life assurer on Thursday. L&G's accounts show investment returns in an "unsmoothed" way, and so year-onyear comparisons are volatile. In 1994 pre-tax profits slipped more than 9 per cent to £164.9m, but analysts' forecasts for 1995 are focused in the

■ Laporte: The specialist chemicals company has said its annual pre-tax profits announced today would be 10 per cent down on last year's

£250m-£260m range.

£123.5m to about £110m. Downturns in the construction and bulk chemicals markets hit the company's water technology, construction and bulk polymers activities.

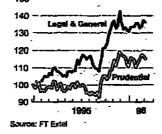
■ Williams: The diversified industrial group is expected to announce annual profits of between £225m and £229m tomorrow, up from £200m. The figures will include an exceptional gain of £9m linked to the

November flotation of Cortworth, the specialist engineering group in which Williams retains a 19 per cent stake.

■ TI Group: The specialist engineering and aerospace components manufacturer tomorrow is likely to report annual pre-tax profits of about £180m, against £153m.

■ Wolseley: Concern about declining margins has led analysts to downgrade pre-tax profit forecasts for the world's largest distributor ofheating and plumbing equipment, to £110m-£112m for the six months to the end of December compared with £117.4m last time when the company

■ Reckitt & Colman: On Thursday the maker of cleaners and other household products, is expected to show pretax profits for 1995 before exceptionals of about £286m.



the last few months as a steady

flow of better news about the

economy convinced investors

that it was at last headed for a

But Mr Kubo's intervention

appeared to be the catalyst for

a definitive shift. In spite of

attempts by officials to down-

play the significance of his

remarks, it was widely argued

that they were the first sign of

By the end of February, the

benchmark bond yield had

risen close to the 3.5 per cent

level, up 0.8 percentage points

in three months. Aggressive

fund raising by Japanese

banks approaching their year-

end also pushed up 3-month

But the Japanese govern-

ment does not seem to be

about to change tack. Look no

an impending policy change.

recovery worthy of the name.

against £270.3m.

■ Reed Elsevier: The Anglo-Dutch information group is expected to announce a strong set of 12-month results on Wednesday – influenced by the first year's contribution from the Lexis-Nexis database com-

Predictions for pre-tax profits range from £705m to £718m compared with £606m last year.



■ Heineken: The Dutch brewing group is on Thursday expected to report 1995 net profit of between Fl662m and Fl 677.4m (£268m) (\$410m), compared with F1603m before extraordinaries a year earlier. In 1994, Heineken posted net extraordinary income of Fl 59m, putting net profit after the gain at Fl 662m. No extraordinaries are expected

for the full year, and there were none in the first half, reports AFX News. The company said in early

September it expected a similar full-year gain for net profit on ordinary activities to the 10 per cent rise reported in the first half. The dividend is expected to be unchanged at F13.50.

Fine weather in September and October should have boosted Dutch beer sales and could lift the results. However, analysts warn that Heineken's second-half results may show a flattening volume growth in southern Europe and the US. Exports to the rest of the world have been showing excellent growth. Stronger sales of premium beers should boost margins. Recent acquisitions

RTR: The industrial conglomerate is expected to announce modestly increased pre-tax profits of £1.43bncompared with £1.41bn, when it publishes its full-year figures on Thursday. Growth is thought to have been dented by a weak performance in its Taiwanese polymers business Analysts are expected to press Mr Ian Strachan, who became chief executive in January, on when the group will begin to enjoy the benefits of last year's restructuring and disposal programme.

■ Coats Viyella: Last year's hot summer in western Europe is expected to drag down annual pre-tax profits at the clothing and textiles group below 1994's £152.4m. Analysts are forecasting about £145m. This year should be better, with analysts expecting more than £160m.

■ BolsWessanen: The Dutch drinks and food group is today expected to report 1995 net profit from ordinary operations between Fl 200m and Fl 201.8m (£80m), (\$122m).

down from Fi 251.1m. Earnings per share are expected to fall to Fi 2.10 from Fi 3.06 in 1994. Last August, BolsWessaner forecast1994 net profit per share from ordinary activities down about 20 per cent. Second-half results are likely to continue to be depressed by currency effects, particularly & the dollar and lira. The market will be awaiting news of possible disposals.

■ Cathay Pacific: The Hong Kong-based carrier which is part of the Swire Pacific group is expected to report a healthy increase in 1995 profits today. I Analysts are forecasting net profits will rise 15-20 per cent above the HK\$2.39bn (£202m) (\$309m) achieved in 1994. Stronger economic growth in the region improved cargo and passenger volumes and a change in depreciation policies should all help lift the bottom line. Turnover is expected to show a marked recovery.

INTERNATIONAL EQUITIES By Antonia Sharpe The Financial Times plans to publish a Survey on

on Thursday, April 11.

The survey will focus on elections, which if held as scheduled, will be an important milestone in Russia's efforts to build a democracy. Among other subjects to be covered will be the economy, foreign investment, privatisation, oil and gas, agriculture etc.

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nent of Guyana (GOG) recognizes that there is a need for a rapid rate of investment in the Guyana Electricity Corporation (GEC) within the next five years to extend and improve supply and to meet the needs of a growing economy. Power supply in Guyana has been insufficient to cope with the growing demand and a significant amount of suppressed demand exists. Currently, major industrial consumers and large mining facilities provide their own power requirements. The GOG is ready to consider the introduction of a strategic core investor in the GEC who will bring capital and management expertise

n light of the above, the GOG is seeking formal written expressions of interest from international power sector pperators or operator-led consortia considering investment in the electricity business of GEC, pres operators of operator and community company. The GOG, with the technical support of the inter-state-owned vertically integrated electricity company. The GOG, with the technical support of the inter-American Development Bank (IDB), is about to choose a Financial Management group to prepare, among others, the information Memoranda describing the GEC's business and manage all the necessary due diligence, the appraisal of the offers.

The strategic investors will propose to acquire a percentage shareholding of the ownership by subscribing capital for new shares. The new capital raised in this way will be used to fund development of the GEC. As a view into the future, Guyana has a significant untapped hydro potential as well as the possible utilization of

ctor operators are now invited to submit bitel statements of qualifications, relevant experience including background, organization and utility management and technical capabilities and financial position, and preliminary proposals and expectations, so that potential partners may be pre-screened prior to formal negotiations and tender procedures expected to be completed during the third quarter of 1996. Written expressions of interest and preferinary proposals should be submitted to arrive in Georgetown, Guyana, no later than 15th April, 1996. Applicants will then be notified of further steps in the process of forming a new later than 15th April, 1996. Approxims were used to accept any of the offers.

Written applicants must be submitted to:

Hon. Samuel A. Hinds Prime Minister of Guyana Wight's Lane. Kingston Georgetown, Guyana, SOUTH AMERICA

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# Election blights Spanish sell-off The unexpected outcome in want to alienate them.

Spain's general election last week, in which the centre-right Popular Party failed to win the outright majority that opinion polls had predicted, has raised the prospect that its hitherto smooth privatisation programme could be in for a cent, the domestic retail bumpy ride, or stall altogether.

International investors in Spanish equities have not had to contend with the stock market uncertainty which could result from consensus politics - if the PP succeeds in forming a government with the Catalans. If the political uncertainty becomes too great, they could simply turn their backs on Spain as they have done in Italy on many occasions.

The success of the outgoing Socialist administration in building up a equity culture in Spain means that, unlike France and Italy, Spain does not need to rely as heavily on unpredictable international investors when selling shares in state-owned companies. Nor would the new government parameters for valuing the

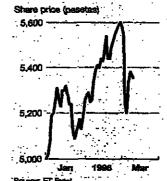
retail investors for privatisation stocks. In the current sale of stock in the banking group. Argentaria, which will halve the state's holding to 25 per tranche is said to be four times over-subscribed.

Recent sell-offs have shown the strength of demand among

The new government will have to embrace incentives, such as the one-year guarantees against a fall in the share price used by its predecessors, to ensure that retail investors do not become disenchanted with privatisations.

However, the PP is unlikely to pursue a privatisation policy with the same successful prag-matism of the outgoing Social-

ist administration. For example, its plans to introduce a privatisation law along the lines of the French legislation are likely to result in a more "programmatic approach", as one banker put it. The law will establish



company being privatised. Privatisations will also require parliamentary approval.

One consequence of such a law would be that, like the French, the new government would not be able to move quickly when market conditions are favourable, a strategy which the old government used successfully, particularly over the past year when it sold off shares in Repsol, the oil and

the telephone company. The decision to press ahead with the offering of shares in Argentaria at the same time as the election also reflects the old government's pragmatism. Although the domestic timing was risky, from an international point of view, it was spot-on because of the high level of liquidity in the pri-

mary equity market. Perversely, the sharp fall in the Madrid stock market, and in the share price of Argentaria, appears to have worked in Argentaria's favour.

The sell-off in the market was healthy and investors who weren't looking at Argentaria at the higher level of Pta5,600 (£29.31) are now more attracted to the valuation story," said one banker involved in the transaction.

In addition, since it is likely to take many months for the PP to pass its privatisation law, this may be the last Spanish privatisation for some time. See Lex

# FT/S&P ACTUARIES WORLD INDICES

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Australia (81)199.13	4,8	193.43	133.20	153.59	172.39	1.5	0.00	400 +4								
Austria (26)183.67	5.2	178.41	122.86	141.66	141.51		3.96	198.44	192.29	132.09	152.57		202.74	158.79	161,12	
							1.62	184,50	176.78	122.82	141.88		199.28	- 168.11	192.22	
Belgium (34)212.21	1.5	206.14	141.96	163.66	159.67		3.39	213.81	207.18	142.33	164.39		215,61	172.97	175.81	
Brazi (28)147.48	6.9	143.26	98.85	113.75	267.01		1.73	148.72	144.11	99.00	114.35		170.25	86.06	94.43	
Canada (101)153.61	3.5	149,22	102.76	118.48	152.03		2,47	155.36	150,54	103.42	119.45		158.71	126.91	126.91	
Denmark (33)285.54	23	287,09	197.70	227.95	230.44		1.66	299,76	290.47	199,54	230.47		305.17	252.41	263.86	
Finland (24)180.06	-3.8	174,91	120.45	138.88	174.31		2.62	181.36	175.74	120.73	139,44		276.11	171,13	182.00	ď
France (98)186.75	4.1	181.40	124.92	144.04	148.83		3.09	190.02	184.13	126.49	146.10		191.17	.161.53	167.21	•
Germany (60)171.08	4.5	166.17	114,43	131,94	131.94		1,66	17 <u>2.2</u> 3	168.90	174.65	132,42		173,79	14 <u>2.2</u> 5	153.04	
Hong Kong (59)438.78	13.2	425.22	293.51	338.43	435.61	13.2	3.28	438.14	424.57	291.66	336.87		451.19	323.87	324.05	
Ireland (16)261.59	2.4	254.11	174.99	201.77	235.02		3.41	265.00	256,79	178.40	203.74		265.00	205,44	210.73	
traty (59)74.69	1.3	72.55	49.96	57.61	87,14	-0.5	1.73	76.39	74.02	50.85	58.73	88.85	82,71	85.45	72.66	
Japan (482)146.92	-52	142.71	98.28	113.32	98.28	-2.7	0.78	14 <u>8.2</u> 4	141,71	97.35	112.44	97.35	164.82	137.75	147.87	
Malaysia (107)542.07	11.7	526.56	362.61	418.10	530.69	11.9	1.60	54B.83	531.82	365.34	421,97	536.67	561,96	425,77	463.14	
Mexico (18)1046.55	1.0	1016.61	700.07	807.21	8690,56	-0.4	1.60	1096,16	1052.50	723.03	\$35.10	8995.10	1237.14	847.81	699.52	
Netherland (19)278.02	1.9	270.06	185.97	214.43	210.78	5.6	3.26	281.58	272.85	187,44	216.49	212.61	283.23	227.76	232.41	
New Zealand (13)	1.1	78.21	53.86	62.10	63.29	-2.2	4.71	79.37	76.92	52.84	61.03	B2.63	85.49	72.39	72.62	
Norway (33)235.61	2.3	229.84	158.28	182.50	207.13	4,4	245	239.65	232,23	159.53	184.26	209.20	243.79	202.78	207.58	
Singapore (44)435.56	7.0	423.09	291.36	335.95	282.71	6.5	1.43	436.57	423.04	290.61	335.66	283.41	485.21	346.10	349.57	
South Africa (45)388.08	0.2	375.03	258.26	297.79	331.42	8.0	3.13	385.96	374.00	256.93	296.75	330.27	437.76	318.91	323.15	
Spain (37)167.41	1.3	162.62	111,99	129.12	158.31	4.3	3.82	167.31	162.13	111.38	128.64	157.83	175.88	124.10	127.87	•
Sweden (47)328.45	4.8	317.11	218.37	251.79	328.99	7,4	2.32	333.82	323.48	222,22	256.66	335.34	342.58	232.23	237.55	
Switzerland (39)241.95	2.5	235,04	161.86	186.63	180.53	7.2	1.50	243.63	236.08	182.18	187.32	181.45	243.63	171:94	179.09	
Thatland (46)179.78	6.8	174.63	120.26	138.66	175.97	7.0	1.94	180.90	175.30	120.42	139.09	177.00	193.95	130.15	137.08	
United Kingdom (205)229.23	-0.6	222.87	153.34	176,80	222.67	1.1	4.20	232,55	225,35	154.80	178.80	225.35	235.50	193.41	196.88	
USA (631)258.92	3.0	251.51	173.20	199.71	258.02	3.0	2.24	267.16	258.B8	177.84	205,41	267.18	269.11	197,58	197.58	•
Americas (778)298.05	3,1	229.29	157.90	182.06	198.42	3.1	2.24	243.36	235.82	162.00	-07.4					-
Europe (730)204.34	1.7	198.49	138.69	157.61	177.60		3.05	206.93	200.52	137.75	187,11 159,10	204.59 179.38	245.54	180.09	180.24	
Nordic (137)283.61	28	275.50	189.72	218,75	247,99	6.1	2.26	288.76	279.81	192.22	222.02		206.93	189.63	173.83	
Pacific Basin (832)	-25	156.35	107.87	124.15	110.56	-0.7	1.21	160.39	155.42	106.77	123.32	251.58	295.02	222 <u>,22</u>	229.00	
Euro-Pacific (1562)178.33	-0.5	173.B1	119.69	138.01	135.92	1.7	200	179.69	174.12	119.61		109.79	171.87	148.86	155.28	
North America (732)	3.1	245.18	158.84	194.6B	251.75	3.1					138.15	198,07	183.39	158.92	162.92	•
Europe Ex. UK (525)185.91	3.0	180.59	124.36	143.39	251.75 151.75	3.1 6.5	2.25	260.26	252.20	173.25	200.11	259,62	262.26	193.22	1 <b>93.22</b>	•
Pacific Ex. Japan (350)289.16	9.5	280.80	193.43	223.03	252.36	8.2	2.43	188.09	182,26	125,20	144.61	153,07	188.09	152.92	157.32	
World Ex. US (1754)	-0.4	174.99	120.51	138.95	140.00		2.95	289.43	280.46	192.67	222.53	253,03	293.59	229.25	229.25	
World Ex. UK (2180)201.96	1.2	196.18	135.10			1.9	2,12	180.97	175.36	120.48	139,14	140.21	184.71	159.65	162,78	
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World Ex. Japan (1903)235.99	3.0	229.23	157.86	. 182.02	222.75	4.0	2.57 ·	241,29	233.75	160.58	185.47	227,52	242.17	187.55	189.31	
The World Index (2385)204.38	1.0	198.54	136.72	157.64	174.24	2.4	2.17	207.69	201.25	138.25	159.58	178.75	209.73	172.24	173.14	

MEN YORK By Richard Tomkins Today will be an anxious day in the US equity and bond

W. A.S.

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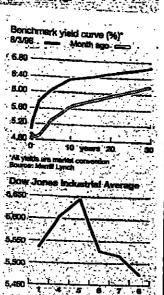
markets. For weeks, investors have been living in the hope and expectation that the Federal Reserve would move to cut interest rates in the not-too-distant future. Those hopes were dealt a

blow on Friday with the publication of a surprisingly strong employment report. suggesting that the economy was growing more quickly than previously thought and raising the possibility that the pext move in interest rates could be up rather than down The response was a selling

frenzy: the benchmark 30-year long bond tumbled 31 to 90% and the Dow Jones Industrial Average followed it, closing 171.24 points down at 5,470.45.

This week, traders will probably start by regrouping and consolidating their positions as they try to determine where the markets will go next. Their main concern will be to establish whether Friday's employment report was an aberration or its implications are confirmed by economic data to be published this week.

Today's figures for new home sales could provide some food for thought - the consensus forecast is 635,000 new homes in January – but the week's most important data will be figures for producer prices on Thursday



The second secon

and consumer prices, industrial production and capacity utilisation on Friday.

Salomon Brothers thinks these inflation indicators will turn out to be relatively benign: softer energy prices and stable food prices should limit the advance in the February producer price index to just 0.1 per cent, it says, and it predicts an increase of only 0.2 per cent in the February figure for consumer prices. If these predictions are fulfilled. the markets could be in for a

## CHANGE By Philip Coggan Bond and equity markets in London will start the week in a nervous mood after Friday's sharp falls on Wall Street which followed the publication of stronger-than-expected US

employment data. The data raised doubts as to bether the US Federal Reserve would continue to cut interest rates, one of the factors which had been driving the international bull market. The UK base rate cut was almost forgotten in the timmoil

But there are signs that the market believes Friday's quarter of a percentage point cut to 6 per cent will be the last for this cycle. On Friday, the short sterling future indicated that traders were expecting rates to climb back to 6.5 per cent by the year end.

Tax and interest rate cuts, combined with building society distributions and Tessa withdrawals could revive consumer spending and economic activity later this year. That would negate the need for further cuts.

Bond yields, which have

been rising since the start of risks with inflation when he the year, indicate that authorised Friday's rate cut. investors think the authorities The results season was have also done enough to overshadowed by economic stimulate the world economy. news last week although Gilts have suffered particularly Glaxo disappointed investors. badly; Friday's 1% point fall This week sees figures from took the yield on the Prudential, Williams Holdings, benchmark 10-year issue to 8.11 Reed International, BTR and per cent. Reckitt & Colman.

## FRANKFURT By Wolfgang Münchau

The main point of interest in German financial markets this week will be the Bundesbank's council meeting on Thursday. With the continued weakness in the Germany economy and an absence of inflationary pressures, there is speculation of further cuts in the discount and Lombard rates, even though at 3 and 5 per cent respectively they are already at a low point compared with

Most German-based banking economists believe the Bundesbank will hold rates steady this time and wait until next month, by which time it will have the opportunity to study the February M3 release However, observers are careful enough to hedge their bets, especially in view of last week's comments from Mr Hans Tietmeyer, president of the Bundesbank.

Mr Tietmeyer hit out against some monetarist zealots in Germany who have been urging a rate rise on the grounds that Germany has reached a cyclical low and that the Bundesbank should prepare for the next upswing.

He said the monetary environment did not justify higher rates. On the contrary, he added, the Bundesbank would take its time to consider whether and when to reduce rates. This has been interpreted as a pointer towards a rate cut.

OTHER MARKETS Compiled by Michael Morgan

Benchmark yield curve (%)\* 7.00 likely to prevail among 4.00 Tokyo markets. Profit-taking by banks and previous cycles. DAX Index 2.500

> 2,480 5 6 7 Source FY Estel

One of the reasons the Bundesbank might want to wait is the bond market's continued nervousness. The markets remain

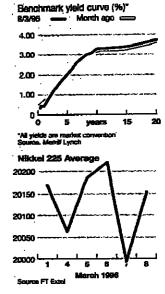
sceptical about European Monetary Union, especially in view of a recent D-Mark bond issue flop.

Interest rates are also a focus of interest in the German equities market, which have behaved nervously lately, influenced greatly by external factors, such as last week's pharmaceutical merger in Switzerland.

## TOKYO By Emiko Terazono

While the authorities brushed aside concerns about last week's plunge on Wall Street during the weekend, caution is investors. Last week's decline in US bond and equity prices will affect confidence at a time when uncertainty over the Japanese budget and lingering fears of a rise in long-term interest rates have weighed on

corporate investors looking to prop up earnings by realising gains on their portfolios ahead of the March book-closing will also continue to cap prices. Expectations of a firm US economy will lead to hopes of strong export growth for Japanese companies which in turn implies strong corporate earnings. Although the bond market is likely to see underlying support from low short-term rates and is unlikely to plunge, a rise in positive sentiment for the Japanese economy is likely to prevent active purchases. Meanwhile volatility on the US markets will increase anxiety on the equity markets. US investors have been the main force behind the Tokyo market's rise over the past year. Last week, selling of high-technology stocks by overseas investors briefly depressed the benchmark index below the 20,000 level.



equity investors is the potential supply. Long arbitrage positions held against futures contracts still total some 3bn shares. The decline in the Nikkei 225 futures in Chicago could prompt unwinding of such positions, triggering widespread selling.

Equity prices are already pressured by uncertainty over the budget bill, which contains public fund support for the government's liquidation scheme for the ailing housing loan companies.

# Big week in prospect for gold

COMMODITIES By Responsible Space 1997

If stock markets collapse this the cash to cover margin calls week will gold play its traditional role as a safe haven and

show a big jump in price? Gold was already rising on Friday and closed in London at \$395.50 a troy ounce. Some analysts suggest worries about wobbly stock markets will see more "hot" money directed towards the market and the \$400 an ounce barrier might be broken again.

However, the omens are not so good for gold bulls if the retreat from equities is substantial. When stock markets crashed in 1987, the gold price briefly picked up but then went quickly into reverse.

Gold bulls explained that the metal was still doing its job as a "safety provider" because investors were selling gold for

before subsiding to a twomonth low of \$393.70 in London

Ms Rhona O'Connell, analyst

last week. Australian Gold Conference

on stock exchanges. Gold made a turbulent start

to 1996, starting at \$373 and jumping to \$415.40 an ounce a week ago.

at stockbroker T Hoare & Co, suggests that gold was simply experiencing its annual February bouts of weakness because the Chinese lunar new year and the post-Ramadan celebrations meant that countries which account for roughly 60 per cent of physical demand for the metal were not trading

There are at least three events this week where the gold price will loom large. The

opens tomorrow in Kalgoorlie, Western Australia, within an easy drive of some of the world's most profitable gold

> Delegates to the annual convention of the Prospectors & Developers Association of Canada started arriving in Toronto yesterday. Gold is still the prospectors' favourite target.

> Meanwhile, with what turns out to be impeccable timing, the Platt's Metals Week publication has organised a "Making Sense of the Precious Metals Markets" seminar, starting today in San Francisco.

This will be a more esoteric affair than the gold conference or the PDAC meeting but it should throw more light on gold's behaviour when stock markets are in crisis.

# **BRADY BONDS**

Benchmark yield curve (%)"

FT-SE-A Ali-Share index

1,835 1 4 5 6 7

Economic data this week,

notably industrial production

and producer prices numbers

numbers on Wednesday, will

be watched closely for signs

that the chancellor was taking

today and average earnings

Source FT Extel

7.50 ---

Emerging-market bond dealers will be closely watching US Treasuries this week after the rout in the US market on Friday sent Brady bond prices into a tail-spin, writes Conner Middelmann.

"Treasuries will continue to dominate the markets – as they have done in the past two weeks," said Mr Peter West, economic adviser at West Merchant Bank (WMB) in London. The WMB Index of secondary market prices of emerging-country debt fell 2.1 per cent on Friday to below end-1995 levels, wiping out the gains of

the first few weeks of 1996. Brazilian bonds have been under pressure against the background of a probe into Banco Nacional's losses and last week's failure to pass a social security reform bill.

This week, attention will be on Venezuela, whose President Rafael Caldera will make his annual address to Congress and may give some indication on the progress of the coun-

try's talks with the IMF. In Argentina, the lower house of Congress will vote on the government's request for special tax powers, the main element of which is holding the VAT rate at 21 per cent rather than cutting it to 18 per cent, as is programmed.

## **JOHANNESBURG**

Investors keenly courted by the world's emerging markets will look to the South African finance minister, Mr Chris Liebenberg, for a renewed commitment to control public spending when he presents the national budget to parliament on Wednesday, writes Mark Ashurst.

Exactly one year after the reduction in the 1 per cent abolition of the financial rand. reserve bank governor Chris help improve liquidity. Stals concedes that last month's devaluation of the

gradualist approach. Rising public debt, which this year reached 58 per cent of GDP, and a 14 per cent rise in the money supply, require measures to dampen consump-

However, Mr Liebenberg will be constrained by both the political ramifications of raising VAT and the constitutional veto on cutting back the civil service, the biggest component

in the current account. Reforms to the secondary tax on companies, currently 25 per cent, and a controversial levy on income from pension funds have been widely forecast. Brokers are also confident of a marketable securities tax to

## ZURICH

rand favours the abolition of Wall Street apart, attention exchange controls. But he remains firmly committed to a will remain on pharmaceuticals after last week's merger between Sandoz and Ciba.

Another concern among

The market, already at an all-time high on Wednesday, shot up another 5.1 per cent as the details of the deal became known on Thursday. The merger took the market by surprise in spite of the synergies between the companies.

"It showed," says Mr Mirko Sangiorgio, head of equities research at Pictet, the private Geneva bank, "that the impossible had now become possible." It also demonstrates, a number of analysts insist, that Swiss management is becoming increasingly open minded on issues of shareholder value.

## **HONG KONG**

The market could be in for a roller-coaster week as investors assess the impact of China's missile firing off Taiwan and check on the likelihood of a cut in US interest rates after Friday's jobs data. writes

Louise Lucas.
Corporate earnings will also be a key feature of trading. Cathay Pacific today reports on 1995 earnings and 18 per cent growth in profits to HK\$2.81bn is forecast. Cathay's majority owner, Swire Pacific, announces its finals on Friday.

Towards the end of last week prices began to fall due to a mix of the "Taiwan effect" and rising US bond yields. Turnover also fell, and the week ended with Friday showing a marginal gain on slim HK\$3.92bn turnover. Many brokers reckon the rally may now be running out of steam.

# CURRENCIES By Philip Gawith

# Traders cautious ahead of US inflation statistics

The point of departure for currency markets this week is sure to be last Friday's US. employment report.

The dollar's response to the much higher than expected payrolls growth was very modest. But markets still need to decide whether the stronger growth, higher interest rate scenario favours the dollar, or a lower growth environment. which is more bond-friendly. Many observers believe that

FT GUIDE TO WORLD CURRENCIES

£ STG

be falling into place.

for the dollar to break out of its recent trading range, a trend increase in the differential between US and German real long-term rates is

required. With the US economy apparently growing faster than previously thought, and recent German output and employment data pointing towards recession, the ingredients may

That said, US inflation data due this week should confirm

that prices remain subdued. There are still some observers who believe the Federal Reserve will cut interest rates when it meets on March 26, although Friday's buoyant payroll figure will have made this

less likely. The current account figures out tomorrow should help the dollar if, as expected, they show the US's deficit continuing to shrink. On the other hand, if talk of the federal gov-

£ STG

ernment shutting down again comes to dominate as the weekend approaches, this will cap any dollar rally.

Also relevant to the dollar is the Bundesbank council meeting on Thursday. Most observers believe another cut in interest rates is likely, but March 28 is a favoured date, by which time the February money supply data will have become available.

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Lower rates would most

likely favour the dollar and peripheral European currencies, but the possibility remains that if last Friday's sell-off in US asset markets continues, the dollar will also

be dragged lower. Elsewhere, the South African rand will remain in focus, with traders wary that the budget some further announcement about the relaxation of exchange controls.

CROSS BOR	DER M&A DEALS	ER M&A DEALS								
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT						
Kvaemer (Norway)	Trafalgar House (UK)	Construction	£904m	Cash offer						
ICI (UK)	Bunge Paints (Argentina)	Paints	\$253m	First blg LatAm buy						
BSkyB (UK)	Premiere (Germany)	Broadcasting	£175m	Needs Kirch approval						
Emap (UK)	Télé Star (France)	Publishing	€142m	Consumer mag move						
IBM (US)	Data Sciences (UK)	Computer	£95m	Pre-float swoop						
Tesco (UK)	Unit of Kmart (US)	Retailing	£77m	Czech/Slovak buys						
McKechnie (UK)	Plexicor (Australia)	Plastics	£14.2m	Strategic growth sought						
GWR (UK)	Prospect (NZ)	Radio	£11.6m	Asia-Pacific debut						
Lynx Holdings (UK)	Tesoft (Spain)	Computer services	£6.44m	European platform						

# ICI Limited



# H.J. Joel Gold Mining Company Limited

TERMS OF THE RIGHTS OFFER

Further to an announcement dated I March 1996, H.J. Joel is to proceed with a rights offer of 164 606 848 new ordinary shares of one cent each to be issued at a subscription price of 250 cents per share on the basis of 84 new ordinary shares for every 100 ordinary shares held in H.J. Joel at the close of business (16:00) on Friday, 15 March 1996 ("the offer"). The proceeds of the offer amounting to R411.5 million (before expenses) will be used to assist in the funding of the capital expenditure associated with the Company's mine plan and to repay existing elebt

JCI Limited ("JCI") and its subsidiaries, Anglo American Corporation of South Africa Limited ("AAC") and its subsidiaries and Suid Afrikaanse Nasionale Lewensassuransie Maatskappy ("SANLAM") effectively hold 107 986 957. 19 345 474 and 8 667 104 ordinary shares, respectively, of the issued ordinary shares in H.J. Joel. JCI. AAC and SANLAM have undertaken to subscribe for their full entitlements and to procure subscription for the full entitlements of their subsidiaries and/or associates in terms of the offer. Subject to certain conditions including. inter alia, the approval of the offer by The Johannesburg Stock Exchange ("the JSE"), the balance of the offer will

be fully underwritten by JCI and AAC. Application has been made to the JSE for a listing of the renounceable (nil paid) letters of allocation and for a listing of the new ordinary shares. The offer is conditional upon such listings being granted and upon registration of the appropriate documentation by the Registrar of Companies in South Africa.

On behalf of the Board W A Naim

1 Y Wk Avg. (USD m)

| F Brownrigg

Johannesburg 11 March 1996

IPOs & Pights Issues (in USD m) 1 Jan 96 - 8 Mar 96 47.69

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74	ATHENS	STOCK	EXCHA	NGE March 1st - N	farch 8th	1996	GREECE
94 95 18						GDP (USD bn) 95e	106.78
6	ASE INDEX		998.65	P/E 95e (after tax)	13.4	Per Capita Income (USD)	10,804
56 I	%Chg (Prev.	Wk)	-1.83	P/E 94 (atter tax.)	15.3	Inflation Rate (% Y.O.Y. January 96)	8 40
_ [	Yearly High		1026.02	EPS GROWTH (%) 959	19	12 Month T-bill (%, end of February iss	ue) 13.40
_ 1	Yearly Low		B98.44	P/CE 95e/94	11.6 / 12.4	1-Month Athlbor (%)	13.91
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# Chinese cloud over Taiwan stocks

hammering last week from news of Chinese missile tests in waters just off China's two largest ports. But by Friday, when the first missiles actually fell, a more positive tone had crept into trading. The Talex index rose 54.35 points to 4,805.9, adding a further 4.42 points on Saturday.

Whether this marks the start of a sustained rally is open to doubt. The immediate cause of the recovery was buying from the government's NT\$200bn stabilisation fund together with a modest relaxation of central bank reserve requirements. The latter should free up some funds for banks to lend to first-time home buyers.

That may help offset the missile fright, but the scenario on which many investors had been working until last week has now been thrown into question. The hope had been that the Presidential election on March 23 would see an end to tension with China. The capital which left the country after the first missile tests last July would start to flow back and the market would revive.

But there is a growing con-viction that China will not abandon its hard line in the short term. Central bank intervention to hold the Taiwan currency at its floor of NT\$27.50 suggests a further drain on liquidity. If that continues, the market will have a long wait for a serious boost.

The corporate sector is in the doldrums. A sharp fall in the price of semiconductors is likely to affect electronics sector profits and the financial sector is suffering from weakness in the property market and bad debts in the banking system, which total some 3 per cent of average loan books. So, even though the market has fallen sharply since its high of

7,051 at the start of 1995, equities do not look cheap.

Ms Ellen Miao of National
Investment Trust says earnings are likely to grow by a modest 9 per cent or so this year, putting the market on a prospective P/E of 16. Mr Thomas Chien of James

Capel says prospective multi-ples on blue chips are lower, in the range of 9 to 12. They could drop further as earnings expectations for electronics companies are revised downwards. Share prices are not expensive, he says, but nor are they particularly attractive compared with other markets.

Most analysts are now looking for a sustained recovery only in the second half of the year, and many expect the rocky ride to continue as the political situation remains tense. That is a reflection of tightening liquidity in response to the capital out-flow and of a lack of confidence. The share market has nei-

## Polish brewer's issue plan sparks row

Poland's Securities Commission has approved a new share issue by Okocim, one of the country's two listed breweries, despite charges that the capital increase is designed to dilute a 25 per cent strategic stake held by Brau und Brunnen, Germany's largest brewer, writes Christopher Bobinski in Warsaw. Brau und Brunnen, which has held the stake for two years, i

going to court to have the shareholder meeting's decision on the issue of between 3.6m and 10m shares annulled. Mr Michael Brendscheidt, head of Brau und Brunnen, says he was misled by Okocim, which asked him to waive B&B's rights to a quarter of the new issue on the understanding that the stake would be reserved for the company, anyway. "They said it would speed up the issue" Mr Brendscheidt says. Okocim is resisting a demand by Bran und Brunnen to call a new share holders meeting.

Okocim last year controlled 9.3 per cent of the domestic beer market and reported a 14.1m zloty (\$5.5m) net profit, which it says will rise to 16m zlotys this year.

Brau und Brunnen, which fears its holding could be reduced to 14 per cent as a result of the issue, says it will purchase shares on the stock market to restore its stake if necessary.

L		Week on week		Month on month		Year to date	
Index.	8/3/96	Actual	Percent	Actuel	Percent	Actual	Percer
World (395)	152.77	-1.20	-0.78	-7.90	-4.91	+5.21	+3.5
Latin America							
Argentina (22)	92.53	+4.08	+4.61	-7.29	-7.30	-0.25	-0.2
Brazzi (23)	200.93	-8.16	=3.90	-22.52	-10.08	+14.90	+8.0
Chile (16)	178,58	-3.72	-2.04	-8.74	-4.66	-17.09	-8.7
Colombia (14)	162.41	-7.24	-4.27	-7.16	-4.22	-1.83	-7.7
Mexico (23)	74.69	-0.14	-0.18	-5.59	-6.96	+1.10	+1.4
Peru(14)	1,048.82	-30.35	-2.81	-133.99	-11.33	-20.13	-1.8
Latin America (112)	125.30	-1.92	-1.51	-11.10	-8.13	+2.16	+1.7
Europe							
Greece (18)	109,93	-2.34	-2.09	+4.07	+3.84	+11.96	+12.2
Portugal (20)	125.13	-1.17	-0.92	-0.52	-0.41	+8,67	+7.4
Turkey (26)	110.96	-3.37	-2.90	+5.98	+5.69	+25.16	+34.0
South Africa (32)	155.09	-1.02	-0.65	-15.81	-9.25	+1.71	+1.1
Europe (96)	127.05	-1.23	-0.96	-8.79	-6.47	+5.52	+4.5
Asia							
China (24)	48.04	+0.02	+0.05	-0.54	-1.11	+7.72	+19.1
ndonesia (32)	144,78	-7.23	-4.76	-13.23	-8.37	+6.14	+4.4
Kores (23)	132.28	+1.09	+0.83	-4.98	-3.63	-4.62	-3.3
Malaysia (24)	250.56	+6.46	+2.64	+9.78	+4.06	+23.19	+10.2
Paldistan (14)	88.42	-0.19	-0.21	+2.06	+2.39	+14.82	+20.1
Philippines (14)	292.29	-6.37	-2.13	+1.73	+0.60	+33.13	+12.7
Thallend (25)	257.99	-0.82	-0.32	-17.34	-6.30	+6.10	+2.4
โฆโพ <u>ล</u> ก (31)	124.04	-1.08	-0.86	+3.26	+2.70	-6.78	-6.1
Asıla (187)	212.53	-0.13	-0.06	-2.36	-1.10	+8.48	+4.6

ther the cash nor the funda-mentals to rebound with," says Mr Peter Kurz of Barings. Domestic credit outstanding the lunar new year.

It is tempting to draw a comparison with the asset bubble in Japan. The consequences of that for the stock market and the banking system have been dire. But says Mr Sean Chen. director general of the finance ministry's Bureau of Monetary Affairs, there are a number of reasons why Taiwan's case is

Although there are 800,000 empty housing units in Taiwan, property prices have fallen less sharply than those in Japan. Since buyers are less heavily indebted, the risks banks have taken are smaller. The strains facing the bank-

ing system may, therefore, be more manageable than those facing Japan. Still, weak loan growth calls for further monetary relaxation, which may be difficult to implement with the currency under pressure. Some economists feel the

risk of devaluation may be growing. Reserves have fallen by \$10bn to \$90bn since last summer and Taiwan needs a large cushion because it has no IMF membership. At some point it might decide devaluation is the only way to resolve its policy dilemma.

Analysts and fund managers say the market's upside is limited till liquidity returns. National Investment's Ms Miao says she prefers to be selective but there is some value in smaller capitalisation growth stocks. Mr Joseph Chou, her colleague, says bill finance companies are heavily geared to an eventual drop in rates.

In contrast, Mr James Hsu of Fubon Securities Investment Trust prefers liquid blue chip companies outside the elec tronics sector but the market will always be volatile, he says. because many of its companies are dependent on highly cycli-

Part of the art is to watch the cycle, and part is to watch money market liquidity. In the absence of that, not even last month's relaxation of restric tions on foreign purchases of Taiwanese stocks is likely to make much difference.

# **DERIVATIVES** By Samer Iskandar

# **Exchanges face** challenge of a fell 0.35 per cent in February, though weakness in loan demand was also influenced by

would undoubtedly be the most important challenge facing European derivatives exchanges in coming years, as convergence of economic and monetary policies would lead to lower interest rate and exchange rate volatility.

And the threat of lower trad-

ing volumes eating into exchanges' revenues could lead to cut-throat competition for a larger share of the remaining

The Matif, the French futures market, is aware that some of its foreign exchange options are ultimately condemned. Assuming national currencies were effectively replaced by the euro on January 1 1989, options on D-Mark/S and FFr/S parities would give way to a single euro/\$ product and the D-Mark/FFr option

would have to be scrapped. Depending on the final convergence timetable, the Matif's D-Mark/f and D-Mark/Italian lira contracts would eventually have to be abandoned as well Matif officials are well aware of the mounting pressure and are working on strategies to compensate for the business

the exchange is bound to lose. They are not eager to discuss these plans, but a new currency product could be in the pipeline, possibly a yen-related option. Also, rumours have recently circulated in Paris, of the imminent launch by the

Matif of a currency future. What Matif executives have said is that they believe there is room for just one leading European exchange for currency derivatives, and that this position is up for grabs.

Hopes are high that combin-

ing the volumes of D-Mark/\$ and FFr/\$ transactions could make the euro/\$ contract particularly liquid, and help lay the foundations for a large European currency-derivatives exchange.

The Matif's high hopes for its transatlantic products were further reflected in its decision, last Friday, to create new "semi-strike prices" on D-Mark/\$ and FFr/\$ options, effectively doubling the num-ber of contracts listed and

offering additional flexibility.

The fiercest battle will be fought over short-term interest rate futures and options. Indeed, if European monetary union proceeds as planned, the underlying rates for these instruments will be abandoned in favour of a single rate of reference for the euro.

However, each exchange cur-rently lists at least one contract on three-month rates -Pibor in Paris, Fibor in Frankfurt, euromark and short sterling in London - while experience shows that similar contracts can rarely co-exist; the first one out usually keeps the lead, as was the case when the DTB, the German futures exchange that is part of the Deutsche Börse, tried to introduce its Fibor contract to compete with Liffe's highly-successful euromark future.

Short-rate futures are nevertheless vital products for the exchanges that list them. In 1995. Pibor futures were the second most actively traded products on the Matif, accounting for almost a quarter of total volume.

On Liffe, euromark and short sterling futures and their related options accounted for 36 per cent of total trading in February 1996.

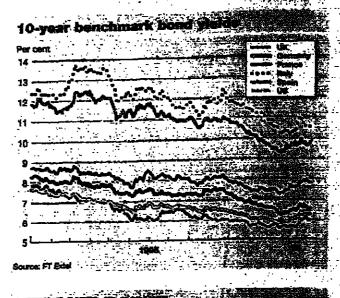
Liffe officials believe they are ahead of other exchanges, pointing out that the December 1998 euromark future shows open interest of over 11,000 lots, as opposed to less than 2,000 lots for the same maturity of the Matif's Pibor con-

Mr John Foyle, deputy chief executive of Liffe, expects this situation to be maintained on the next contract month, which is due to expire in March 1999, in what could be a single currency environment.

Other exchanges do not fear any loss of business, and some even hope to benefit from European monetary union. The DTB is one of those. Its

three-month Fibor future has never lived up to expectations and accounts for less than 1 per cent of total volume. So losing it would barely affect Frankfurt-based

exchange's hopes lie elsewhere. According to a Deutsche Börse



0.506 9350 0.56 5271 0.653 5.27 0.781 5.50 1.585 5.28 3.09 6.58 Overnight Three month. 5.19 5.05 5.41 spokesman, efforts will be concentrated on making the successors to bund and Bobl futures benchmarks for

Also, the DTB relies heavily on equity-related contracts. and "these are traditionally immune to international competition", said the spokesman.

exchange-traded derivatives on

medium and long-term interest

rates on the single European

Incidentally, equity-related products are the cornerstone of the current negotiations between the DTB and the Matif. and the two markets are expected to disclose further intentions of co-operation in coming weeks

An official of Monep, the French market where equity and index options are traded, agrees that "options on individual stocks are a protected domestic market". She expects Monep to benefit from Emu, perhaps in the form of new options on European share

But considering that such attempts have been made before by other markets, and always unsuccessfully, any decision by Monep to launch a cross-border product could only be a medium to long-term

European exchanges are not alone in facing uncertainty over Emu. In the US, the Chicago Mercantile Exchange's International Monetary Market and the Philadelphia Stock Exchange both list European currency-related derivatives. Chicago's IMM trades a number of futures contracts on par 🦠 ities of the dollar against major European currencies and crossrates, as well as options on these futures.

IMM executives have chosen a gradual approach to Emu and will substitute the sure for national currencles in its products on a case-by-case basis, as countries individually adopt the euro.

A new \$/euro contract is likely to be much more actively traded than each existing contract taken separately, but IMM officials admit that total volumes will almost certainly fall.

However, Mr Norman Mains, the IMM's head of research and chief economist, feels no urgency as he is "not convinced that monetary union will happen"... at least, almost certainly not in 1999. This is an opinion he shares with Mr Joseph Rizzello, executive vice-president of the Philadelphia Stock Exchange. The IMM is even in the pro-

cess of launching new futures contracts on cross-rates for D-Marks against Italian lire, Swedish crowns and Spanish

In the longer run, the Chica-go-based market intends to cre-ate additional futures on the rates of exchange of these three European "high-yielding currencies" against the dollar.

# Notice of Early Redemption to the Holders of



All indices in S terms, January 7th 1992-100, Source: RIG Basings :

Guangdong Investment Limited

U.S. \$102,000,000 4½ per cent. Convertible Bonds due 1998

(ourstanding amount of unconverted Bonds as at 1st March, 1996 approximately U.S. \$48,964,000) NOTICE IS HEREBY GIVEN that in accordance with Condition 8 (b) of

the terms and conditions of the Bonds, the Company will redeem all outstanding Bonds at 103 per cent. of their principal amount together with accrued interest amounting to U.S. \$1,056 per Bond on 3rd May, 1996 (the "Redemption Date") when interest on the Bonds will cease to accrue. Consequently on 3rd May, 1996, an amount of U.S. \$1,056 will become due and payable in respect of each outstanding Bond. The conversion price of the Bonds as at the date of this Notice is HK \$3.84 The conversion price of the nonds is at the date of the Profess is the start per ordinary share of HK \$0.50 each in the capital of the Company ("Share"). The closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange of Hong Kong Limited) as at ist March, 1996 (being the latest practicable date prior to the publication

of this notice) was HK \$5.05 per Share. or this notice) was the 1900 per small.

The certificates for the Bonds ("Certificates") should be presented at the office of any of the Paying and Conversion Agents listed below for redemption. Payments will only be made upon surrender of the relevant Certificates. Bondholders are reminded that Bonds remain convertible up to and including the 26th April, 1996, being the fifth day prior to the

Notice of conversion together with the Certificates should be delihe office of any Paying and Conversion Agent listed below

Principal Paying and Conversion Agent Bankers Trust Company 4 Albany Street New York NY 10006 USA

Paying and Conversion Agents Bankers Trust Luxembourg S.A. Bankers Trust Company 1 Appold Street P.O. Box 807 14 Bou levard F.D. Roosevelt

London EC2A 2HF

NATIONAL BANK OF CANADA

Floating Rate Notes due 1998

In accordance with the provisions of

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 10th June. 1996 has been fixed at 5.39297% per annum. The interest accruing for such three month period will be U.S. 5140.82 per U.S. 510,000 Bearer Note, on 10th June, 1996 against presentation of Coupon No. 5. Union Bank of Switzerland

Union Bank of Switzerland London Branch Agent Bank 6th March, 1996

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governed by the Bank Act (Cand U.S. \$200,000,000

Guangdong Investment Limited Dated the 11th day of March, 1996, Hone Kone.

L-2450 Luxembourg

2100,000,000

ANGLO IRISH BANKCORP

Anglo Irish Bank

Corporation plc

Floating Rate Notes due 1998

Fro the 3 month Interest Period March 7, 1996 to June 7, 1996 the Rate of Interest has been set at 6,25 per cent. per armum with Interest Amounts of 2157.10 end 21,571.04 payable per \$10,000 and £100,000 holes respectively. The relevant Interest Payment Date is June 7, 1996.

CHASE

March 11, 1996

incorporated at Ireland under the Con Acts, 1963 to 1990, Registered marrier 2

SERIE N° 123
SGA SOCIETE GENERALE ACCEPTANCE N.Y.
FRF 1,000,000,000 FLOATING RATE NOTES DUE SEPTEMBER 1997
ISIN CODE: XS0052643755

Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate applicable to the period from December 8th, 1995 to March 8th, 1996 has been fixed at 6,50781 % P.A.

The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

# DONG AH CONSTRUCTION INDUSTRIAL CO., LTD US \$ 100,000,000

Notice is hereby given that, in accordance with the provisions of the abo mentioned Floating Rate Notes, the rate of interest for the six mouths period from March 8, 1996 to September 9, 1996 (185 days) has been fixed at 5.6625% per annum.

The Interest payable on September 9, 1996 will be US\$ 290.99 in respect of each US\$ 10,000 Note and US\$ 7,274,74 in respect of each US\$ 250,000 Note.

BANQUE INTERNATIONALE BLUT

# An important announcement to our stockholders:

Copies of the 1995 Annual Report of Citicorp can now be obtained from:-

Citibank, N.A., 336 Strand, London WC2R 1HB.

Postal applications should be addressed for the attention of Sonia Gordon, Corporate Affairs.

# CITICORP

Citicorp, 399 Park Avenue, New York, New York 10043 Incorporated in the State of Delaware

# USD 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

Next payment date: March 8th, 1996
Coupon nr: 6
FRF 1.645.03 per Note in the denomination of FRF 1,000,000
FRF 16,450.30 per Note in the denomination of FRF 1,000,000

# FLOATING RATE NOTES 1997

# **NEW INTERNATIONAL BOND ISSUES** US DOLLARS Inter-American Deviment Ban Tetenor Louisyteis Banco Satrati) Swedish Export Credit Sudweed, B. Copital Marisha Mertil Lyoch & Co Padrasi Plana Lean Mity Crpt Swedish Americalists 200 Mar 2003 6.375 99.597 6.450 455(74)7-03) DG Bask 300 Apr 1999 4.25 99.578 4.319 +125(74-99) ABN Annu Goldsman 300 Dec 1999 4.25 99.528 4.855 ftm(77-99) Socion Frankfurt 250 Dec 1999 4.75 101.72 250 Apr 1999 4.25 99.638 4.384 +14(57-14-99) URS Germany 750 Apr 2003 (b) 99.748 CFB/Deutsche MS UPS of America(s) Seo B Infl(Cayeen Is) WestLB Finance(s) & Province of Onterio(i) STEPLING Lloyds TSB Grov FRENCH FRANCS 1bn Apr 2006 6.625 99.511R 6.694

LLIXEMBOURG FRANCS Zim Dec 2002 6.00 102:30 5.58 Zim Apr 2006 6.625 102:30 6.306 Zim Apr 2004 6.375 102:35 6.000 Jeutsche Finance Nesbeis) ITALIAN LIRE 150bg Feb 2001 10.00 103.161 9.156 Klagdom of Swaden(v) BCV.P Morgen Secu AUSTRALIAN DOLLARS courager. Scowerities. Shorting-rote note. drifts equity recruste. Attinities of Scowerities. Shorting-rote note of the second recruite price. It is 4.3% in AS or 5.9% in DA or 6% in USS at second option, of 6.3% in DA or 6% in USS at second option, of Coupare and principal conversion. It was Euro. It conversion prices belt. 450, Fig. 25.2 beats. Shorting price: 127,22%, Calabble from 14909, exhipted to 1490, and the conversion price: 127,22%, Calabble from 14909, exhipted to 1490, and the conversion price. 127,22% calabble from 14909, exhipted to 1490, and the conversion price of 14909, and the conversion of 14909, and 14909,

Notice to the Holders of

## ODAKYU ELECTRIC RAILWAY CO., LTD. (the "Company")

Y20,000,000,000 11/2 per cent. Convertible Bonds due 1998 (the "Bonds")

"Adjustment of the Conversion Price"

NOTICE IS HEREBY GIVEN that the Board of Directors of the Company, at its meeting held on February 23, 1996, resolved to make a Stock Split (Free Share Distribution) at the ratio of 1.03 for 1 to the Shareholders of record as at March 31, 1996.

In connection with the Stock Split, the Conversion Price of the Bonds has been adjusted as follows:

Conversion Price before adjustment: Yen 828.0 per Share Conversion Price after adjustment: Yen 803.9 per Share Effective date of the adjustment: April 1,1996 (Japan time)

> March 11, 1996. The Industrial Bank of Japan, Limited as Disbursement Agent on behalf of: ODAKYU ELECTRIC RAILWAY CO., LTD.

# THE TOP OPPORTUNITIES SECTION

For senior management positions. For information please contact:

> Robert Hunt +44 0171 873 4095.

Notice to the Holders of the Warrants to Subscribe for Shares of Common Stock of

KISSEI PHARMACEUTICAL CO., LTD. (the "Company")

> Issued in conjunction with U.S.\$100,000,000 11/2 per cent. Bonds 1996 (the "1996 Warrants") and U.S.\$100,000,000

13/8 per cent. Bonds 1998 (the "1998 Warrants")

ADJUSTMENT OF SUBSCRIPTION PRICES

NOTICE IS HEREBY GIVEN pursuant to Conditions 7 and 11 of the Terms and Conditions of the Warrants in relation to the 1996 Warrants and 1998 Warrants, respectively, that the Board of Directors of the Company passed a resolution on 27th February, 1996 to make a stock split of shares of its common stock effective as of 20th May, 1996 in the form of the free share distribution to the shareholders of the Company of record on 31st March, 1996 (Japan Time) in the ratio of 0.1 new share for each one share held. As a result of such stock split, the Subscription Prices at which shares are issuable upon exercise of the 1996 Warrants and 1998 Warrants will be adjusted as follows:

(1) The 1996 Warrants Before adjustment: After adjustment:

**Y3,181.10** per Share Y2,891.90 per Share (2) The 1998 Warrants Before adjustment:

Y4,905.00 per Share Y4,459.10 per Share After adjustment: Such adjustment to the Subscription Prices shall be effective as of 1st April, 1996 (Japan Time).

IBJ Schroder Bank & Trust Company The Fuji Bank and Trust Company on behalf of: Kissei Pharms ceutical Co., Ltd. Dated: 11th March, 1996.

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Hall, Vincent Square, S.W., BOARD MEETINGS: Finals: Beradin Billam

Argyll 81/6% Bd 2000 £81.25

Exxon \$0.75 Fuji Bank Int Fin Perp Sb FRN

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Smith (David S) 2.45p Sumitor Heavy FRN 1998

Tokai Bank Nederland Fitg/Fxd Rate Gtd Nts 2004 \$32229.17

Full Bank Int Fin 85/6% Sb Gtd

Ireland Res Sec Home Mortgages (No 1) Class A1 FRN 2025 IRE1442.42

Japan Airlines 7% Bd 1996

Kuela Lumpur Kepong M\$0.20 Marubeni Int Fin Var Rate Bd 1996 Y645000.0

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Y22395.0

■ TOMORROW

Bd 2001 \$86250.0

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Monsanto \$0.69

Prism Leisure 1.38p

Britton CMG Calderburn Capital Christies Int Cordiant

Crestacare Dunedin Inc Growth Delta Expamet Int Fidelity Japanese Values Holliday Chemical Huntingdon Int Kalon M & G inc inv Tst Pacific Assets Tst Parity

Record Williams Hldgs Interims: Everest Foods M & G Recovery inv Tst **Pochins** Thorntons

Prudential

**■ WEDNESDAY MARCH 13** COMPANY MEETINGS: Gartmore British Inc & Growth Tst, 16-18, Monument Street, E.C., 2.30 London Scottish Bank, St James's Club, Charlotte Street, Manchester, 12,00 **BOARD MEETINGS:** 

Sotheby's Class A Lim/Vtg \$0.08 Tenneco \$0.45

WEDNESDAY MARCH 13

General Motors Acceptance 91/2% Nts Mar 1996 \$456.25

Gold Fields Property R0.40 Hydro-Quebec 124/4 Ln 2015 26.375

Kunick 0.35p Kunick 0.35p Marubeni Int Fin 61/2% Ser A Yen/US\$ Bd 1997 Y650000.0 Do Ser B Y650000.0

Nationale Investeringsbank Sb FRN 2002 \$145.35

THURSDAY MARCH 14

Chase Manhattan Sb FRN 2009 \$150.09

Daejan 16p
Hongkong & Shanghai Banking
Prim Und FRN (Ser 2) \$76.62
Investors Capital Inc Ann Rest/
Vig 1.35p
Do Units 1.35p
London Scottish Bank 3.55p

Pfizer \$0.30 Ragby Gtd FRN Dec 1997 \$15400,49

Santander Fin iss Sb Gtd FRN

Vogels Metal R0.35

Ashanti Goldfields \$0.25 GHQB 1246% Gtd Sec Bd 2015

Baynes (Charles)

Y179709.0

DIVIDEND & INTEREST PAYMENTS

Brent Int Church English China Clays Haden MacLellan Heywood Williams JIB 4 Lambert Howarth Radius

Reed Int Rosebys Schroders Tilbury Douglas Waste Recycling interims: Ricardo

**THURSDAY MARCH 14** COMPANY MEETINGS: Loades, Sheraton Skyline Hotel, Bath Road, Hayes, 12.00 Lookers, Lancashire County

Cricket Club, Old Trafford, Manchester, 12.00 BOARD MEETINGS: Anglo Aerican Ind BTR **Biotrace** Bostrom British Mohair

**Emess** Exco Legal & General Micro Focus **Pittards** Reckitt & Colman Steel Burrill Jones

Coats Viyella

Davis Service

CU Environmental

United Biscuits Watmoughs Wood (Arthur) Interims: **BZW Endowment Fd** F & C High Inc Tst Logica Sirdar

E FRIDAY MARCH 15 COMPANY MEETINGS: Alexanders Hidgs, 7-10, Old Park Lane, W., 12.00 Central Motor Auctions. Auction Centre, Pontefract Road, Rothwell, Leeds, 11.00 Eurocamp, Cottons Hotel. Manchester Road, Knutsford, Cheshire, 2.30 Johnson Fry Second Utilities Tst, 20, Regent Street, S.W., BOARD MEETINGS:

Finals: Aspen Comms British Data Mngmnt Molins Mowlem (J) Репту Wembley Interim: Walker (Thomas)

Company meetings are annual general meetings unless otherwise stated Please note: Reports and accounts are not normally six weeks after the board meeting to approve the preliminary results.

2004 \$317.55

FRIDAY MARCH 15 Brunswick \$0.125 CSX \$0.26 1996 \$293.85 Dana \$0.23

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Louisiana Land & Expln \$0.06 Midland Bank Non-Cm \$ Pf Ser A1 \$0.355 Do Ser A2 \$0.8875

Scandanavian Airlines 91/4% Bd 1999 FFr925.0 Witan Inv 3.5p Young & Co's Brewery 91/2% Db 2018 £4.75

Christiania Bank 8% Sb Nts Dover \$0.15 Edinburgh Inv Tst 3.65% Cm Pf Elandsrand Gold R0.30 Forte FRN 1999 £1777.73

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NK Properties Lkd Units R0.3088 NTT Data Comms 3,3% Bd 1999 Y330000.0 Newcastle Bidg Scty 12%% Perm Int Brg £63.125 Pennzoil \$0.25 Cuebec (Province of) 121/4 Ln 2020 £6.125 Royal Bank of Canada Fitg Rate Db 2085 \$151.67 Senwa Australia Fin Gtd Fxd/ FRN 2004 \$1595.66 Southyaal R2.80 Spintab FRN Sep 1998 \$154.83 Sweden (Kingdom of) 9%% Ln 2014 £487.50 TR Smaller Co's Inv Tst 1.5p TRW \$0.55 Thomson \$0.1375 Time Warner \$0.09 Trinova \$0.20 Unidare Units IR12.26p Unisel Gold Mines R0.25

Western Deep Levels R2.40 Whirlpool \$0.34 Winkelhaak Mines R0.40 ■ SATURDAY MARCH 16 Treasury 2% IL 1996 £2.19 ■ SUNDAY MARCH 17 Daiwa Europe Bank Step-up Callable Nts 1998 Y1550000.0 Do Step-up Callable Nts 2000

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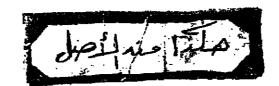
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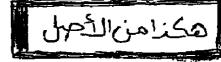
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	Tell, Care Paris Care	acco, List and Pecces per 100.	Stose   Arm   Min.   Min.   Close   pnice   paid   cap   1995/96   pnice   Net   Drv. Cars   P/E   p up (Em)   High   Low   Stock   p +/- div. cov. yid   net   - F.P.   52.1   527   498   BZW Eq (9rmda)   521	RIGHTS OFFERS State Amount Latest order of the Company of the Comp
	## D-MARK FUTURIES (IMM) DM 125,000 per DM    Open	Mar 8 — Cose — - Pret. close —  \$ spot   1.5245   1.5295    1 mit   1.5245   1.5295    3 mit   1.5245   1.5297    1 yr   1.5147   1.5185    UN INTEREST PATES  LONDON MONEY RATES  Mar 8   Over   7 days   month   months   year    Intertaint, Starfing   6 <sup>1</sup> <sub>2</sub> - 5 <sup>1</sup> <sub>4</sub>   6 <sup>1</sup> <sub>4</sub> - 6   6 <sup>1</sup> 4 - 6   6 <sup>1</sup>	- F.P. 52.1 527 498 BCW Eq (9mda) 521	price paid Ranun. 1985/96 Closing p up date High Low Stock price p +or- 540 Ni 9/3 82pm 58pm Famel Us Ln 78pm 185 Nii 18/3 33pm 28pm Headlam 33pm +1 10 Nii 14/3 2½pm ½pm NAF ½pm 155 Nii 9/4 33½pm 12pm Persimmon 32pm +8 pm prenkm.  Pattures, Options & Currencles with direct access to exchange floors  James Maxwell Tel: 0171 702 1991 Rex: 0171 430 6115
	## 57592 http://www.ss.ga.hip.252,500 per 2  Mar : 1.5300	Stering CDs - 6½ 6½ 6½ 6½ 6½ 6½ 6½ 6½ 6½ 6½ 6½ 6½ 6½	FUTURES & BERKELEY FUTURES LIMITED TRADERS SS DOVER STREET, LONDON WIX SRB	
	El Pres Ades Pres SE 2/6 OPTIONS 231,250 (certs per pound)  Strike  CALLS PUTS  PUTS  PUTS  PUTS  1,500 2,15 2,51 2,85 0,09 0,40 0,88 1,510 1,28 1,79 2,28 0,12 0,70 1,24 1,520 0,60 1,21 1,72 0,44 1,11 1,69 1,530 0,20 0,77 1,27 0,96 1,68 2,25 1,540 0,02 0,45 0,91 1,77 2,38 2,94 1,550 - 0,24 0,63 2,651 3,09 3,55 Pravious day's vol., Calls 6,841 Puts 12,632 . Prev. day's open ke., Calls 167,836 Puts 201,643	UK clearing bank base lending rate 6 per cent from March 8, 1996  Lip to 1 1-3 3-6 6-9 9-12  Mouth month month months from the formal season 12-pc. Depones withdrawn for cash 12-pc.  Ave. tender rate of discount 5,5280pc. EGOD fixed rate Sig. Expon Finance. Melte up day Feb 28, 1998. Agreed into for patical Mar 26, 1998 to Apr 23, 1995. Scheme 1 6 ft 7.48pc. Petervince rate for particle Feb 1, 1996 to Feb 29, 1996, Schemes 17 & V 8.23pc. Finance House Base Rate 6.5pc from March 1, 1996  BANK OF ENGLAND TREASURY BILL TENDER  Mar 8 Mar 1 telar 8 Mar 1  Side on other 5800m 5800m Top accepted rate 5.8159% 5.8761% Total of applications 52703m 53828m Ave. sate of discount 5.8078% 5.8761% Total affocated 5800m 5800m Average yield 5.8392% 5.9821% Other at next tender 5800m 5800m 1600m 1600m 18000m 180000m 180000m 180000m 180000m 180000m 180000m 180000m 180000m 18000000m 180000m 18000000m 180000000000	FOR AN EFFICIENT TEL 0171 629 1133 PAX: 0171 495 0022  Union FUTURES AND OPTIONS TRADING Clearing and Execution Service 24 hrs  Tel: +44 171 329 3030  Limited FAX: +44 171 329 3919  SECURITIES AND FUTURES LIMITED SECUTION ONLY	A GOOD YEAR FOR SCOR IN 1995 NET INCOME RISES TO FRF 522 MILLION The Board of Directors of Scor S.A. met on March 6, 1996, under the Chairmanship of Jacques Blondeau, to review the Group's consolidated financial statements and approve the parent company financial statements for 1995.  Scor Group Consolidated key figures  (in FRF million) 1994 1995
	BANK RETURN  Wednesday Increase or decreese for week  BANKING DEPARTMENT  March 8, 1998  g 2		Verias Bouse, 125 Finsbury Pavement, London EC24 194  MENUER SHABLISE Tel: (44) 171 417 9720 Fax: (44) 171 417 9719  \$32 TURN	Gross premiums 11,645 11,848 Net premiums 9,929 10,184 Underwriting result -333 505
	LishBillies Capital Public deposits 14,553,000 1,239,379,747 1598,550,411 1,239,379,747 1598,550,411 1,209,379,747 1598,550,411 1,209,379,747 1598,550,723 1,100,083,153 1,100,083,153 1,100,341,400 253,193,994 2025,683,381 2025	Adient & Company 6.00 Alicel Trust Bank 6.00 Alicel Trust Bank 6.00 Bank of Baroda 6.00 Bank of Baroda 6.25 Barod Bilhad Viscaya 8.25 Bark of Logous 8.25 Bank of India 6.25 Bank of Soutisma 8.25 Bank of India 8.25 Bank of India 8.25 Bank of India 8.25 Bank of Soutisma 8.25 Bank of India 8.25 Ba	KNIGHT-RIDDER'S FLITURES MARKET DATAKIT FROM \$570  O A leid year of HMAL MARKETS End-of-they quote correte  O SIFF Verent Services O BETALORS 13 year of daily generate luteres date on their station of the project services O BETALORS 13 year of daily generat luteres date on their station of the project services O BETALORS 13 year of daily generate luteres date on their station of the project services O BETALORS 13 year of daily generate luteres date on their station of the project services O BETALORS 13 year of daily generate luteres date on their station of the	Operating result  Group net income **  282  S22  Net invested assets Net technical provisions  20,083  21,711  Group shareholders' equity  4,985  **Testated for purposes of comparison in accordance with the new French reinsurance accounting standards. ** Excluding minority interests  On most markets, the world reinsurance industry confirmed the positive trends of 1993 and 1994 demand remained buoyant and underwriting terms were satisfactory.  Scor's premium income advanced 6.6% on a comparable exchange-rate basis. Group net income after tax (excluding minority interests) was up 85% relative to 1994, rising to FRF 522 million. Return on equity was 10.1%.  All Group subsidiaries without exception contributed to this
Đ	UK GILTS PRICES  Wk % Armet Interest Last City Notes Prior 2	17% % Assert Internet Last City Wik % Arms Setement Last City  → Eas due set liner Notes Price £ +← £m due set line	Margined FOREX  SEQUENTIAL AND ENGINEER LIMITED	excellent performance.  Parent company  Profit for the year after depreciation, amortization and
	Sharita* (Lieus no Frice Y tears)   1.150   Next May   27.9   1200   17.00	-1.8 5,000 Mr 5 66 28.2 2300 45 0c5 1.9 1334 22 10 11 12 13 13 13 14 2 14 2 14 15 15 16 16 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	SECURITIES AND FUTURES LIMITED Verities House, 128 Finalmy Prevenent London ECCA 1PA  ELECTRICAL PA  ELECTRICAL	income taxes, amounted to FRF 89 million. The Board of Directors will recommend at the Annual Shareholders' Meeting to distribute a dividend of FRF 7.50, including tax credit (avoir fiscal), which is more than double the previous year's dividend.
	172.6	-20 \$100 \$425 \$425 20.12 1332 -9 800 \$425 \$425 20.12 1332 -20 \$500 \$47 047 31.10 4902 -20 7,550 \$425 \$425 152 1982 -18 1.000 \$412 0412 0412 0.11 180 Otther Fixed Interest -22 3,000 = Asia 0 to 10 4 pc 2009	The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the keypad or bandses of your fat machine, 6891 437 691.  Calls are charged at 39p/min cheap rate and 49p/min at all other times. For service outside the UK please telephone +44 171 873 4378 for details on Cityline International.	CURAÇÃO DEPOSITARY RECEIPTS of PIONEER ELECTRONIC CORPORATION With Reference to section 7, sub 5 of the Deposit Agreement, the under- signed attractions of the composition of the compo
•	Trees: 10x: 2003 - 1155 at - 9 1,829 3819 at 14,914 881 21274 881 2003 319 61 86	900 Cap 1996 710	Petroleum Argus Daily Oil Price Reports  All the spot price information you require for Global Crude and Products markets — Petroleum Argus  CALL NOW for a FREE TRIAL (44 171) 355 8752  Affordable real-time equilities, futures, options and news  Peylarket-Eye  FREEPHONE 0800 321 321 FAX 0171 398 1001	signed announces, on behalf of Pioneer Electronic Corporation and the Administration Office, Caribbean Depositary Company at Curação, that aforementioned section has changed in a way that prospective notifications to holders of Curação Depositary Receipts will only be published in
	• Tap' Sinck == Tau-less to non-resource		In association with the conductions, Exemply:	the Official Price List of the

Tap Stack = Tax-line to non-residents on application. E Auction basis, ad Br divisional. Closing mid-prices are shown in pounds per \$150 nominal of stack. Westely percentage changes are calculated on a Friday to Friday.

STOCK INDICES

| Mar 8 | Mar 7 | Mar 6 | Mar 5 | Mar 4 | High | Low | High | Hi

MEES PIERSON N.V. Amsterdam, 11 maart 1996

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TO MANAGED FINDS SE FINANCIAL TIMES MONDAY MARCH 11 1996 i Emerging al Markets FT MANAGED FUNDS SERVICE

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# COMPOSITE PRICES

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## **MONDAY**

**Euro-MPs** prepare for IGC

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Euro-MPs will debate a motion outlining the European Parliament's priorities for the inter-governmental conference reviewing the Maastricht treaty, which begins on March 29. Discussion will focus on an enhanced role for the parliament, the principle of one European commissioner per member state and the development of European citizenship. Also on the agenda is the ratification of Europol, the proposed pan-European police agency to counter cross-border criminal activities. Although it is up to national parliaments to ratify Europol, a deadlock has arisen over whether the European Court of Justice should have the power to settle disputes.

### Australia coalition sworn in

Australia's new Liberal-National coalition government will be sworn in, 9 days after scoring a sweeping victory over its Labor opponents at the polls. The ceremonies will end 13 years of Labor rule in Australia, and bring several new faces to the fore in Canberra. With the exception of John Howard, the prime minister-elect, none of the ministerial team has been in

### **EU** ministers discuss waste



European Union finance ministers meet in Brussels to approve the Court of Auditors' report on identifying EU financial mismanagement and waste in 1994. Ministers will also

discuss proposals for injecting fresh capital into the European Bank of Reconstruction and Development, one of the lead lending institutions for eastern Europe, as well as European investment bank lending to Latin America and Asia. The slowdown in the European economy will be discussed informally.

## Seoul army coup trial

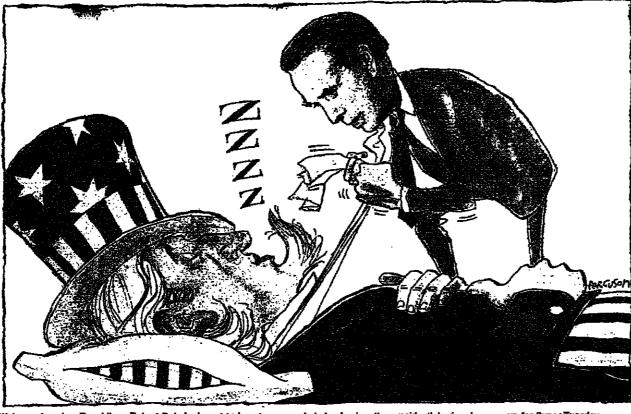
Two former military-backed presidents of South Korea, Chun Doo-hwan and Roh Tae-woo, go on trial for their alleged roles in leading a 1979 army coup and the subsequent massacre of pro-democracy protesters in 1980. Both men are already being tried separately for allegedly accepting several hundred million dollars in corporate bribes while in office between 1980 and 1993.

### Public holidays Australia, British Virgin Islands,

TUESDAY

**Dole nearly unstoppable** By the end of so-called Super Tuesday's presidential primaries in seven states -including delegate-rich Texas and Florida - 45.7 per cent of the delegates will have been selected for the US Republican

12



Wake up America: Republican Robert Dole looks set to boost an overwhelming lead as the presidential primaries gear up for Super Tuesday

convention. With momentum gained last week from wins in New York and eight other states, the virtually unstoppable senator Robert Dole is expected to add to his already overwhelming lead.

### **Turkey alliance vote**

Turkish MPs are expected to approve the new conservative coalition government of Mesut Yilmaz in a confidence debate, even though the alliance between his Motherland party and Tansu Çiller's True Path party lacks a majority. The government relies on support from the Democratic Left party of Bülent Ecevit, a former prime minister who wants to dilute the government's free-market reforms. Rivalry between the coalition partners suggests a weak government. Their powerful conservative factions may also oppose political reforms to end the Kurdish uprising. Refah, the Islamist opposition, promises resistance.

## Cardoso in Japan

President Fernando Henrique Cardoso of Brazil travels to Japan for a four-day visit aimed at rebuilding economic ties between the two countries. The Japanese invested heavily in Brazil during the 1960s and 1970s, and commercial relations soured after Brazil suffered a debt crisis during the 1980s. With its new-found economic stability, loans and investment are returning to Brazil, and Honda and Toyota are expected to announce spending on new car plants during Mr Cardoso's visit. Brazil has the biggest Japanese community outside Japan because of emigration by farm workers early this century.

# White paper on IGC

The British government publishes its white paper on the UK's broad negotiating

position ahead of the inter-governmental conference on institutional reform of the EU. The document will outline the government's proposals for modest curbs on the jurisdiction of the European Court of Justice and UK resistance to increasing the powers of the European parliament. With MPs due to debate the white paper on March 21, a week before the IGC opens in Turin, Tory divisions on Europe have resurfaced.

## Horse racing

National Hunt (jumps racing) festival, Cheltenham, England (to March 14).

FT Survey Executive Education.

Public holidays Lesotho, Mauritius.

WEDNESDAY

# Northern Ireland convention



ECONOMIC DIARY

government is expected to announce details of elections to a Northern Ireland convention, in advance of all-party talks in June. Relations

**13**.

between ministers and the Ulster Unionists, the province's largest party, have deteriorated amid indications that the government would support proposals by the rival Democratic Unionist party for a single list system for elections. With the Conservative government's parliamentary majority now reduced to two, the argument has had serious repercussions at Westminster.

Middle East peace summit Hosni Mubarak and Bill Clinton, the Egyptian and US presidents, host a summit in Egypt to rally support for the Middle East peace process. World leaders who have accepted the joint invitation include John Major, the UK prime minister, Boris Yeltsin, the Russian president, Jacques Chirac, the French president, and Helmut Kohl, the German chancellor. Syria - crucial to any peace process in the region - still had not confirmed by Sunday whether President Hafez al-Assad would attend. Egypt said the summit, which follows suicide bomb attacks in Israel which have shattered confidence in Israeli-Palestinian peace moves, was intended to "support the foundation of peace and combat violence"

## South African budget

Chris Liebenberg, the South African finance minister, will try to woo foreign investors with reforms to the tax system when he presents his government's second budget to parliament. A rise in the VAT rate, a reduction in the 25 per cent rate for secondary tax on companies and a levy on income from pension funds have been widely forecast. Pressures to rein in government expenditure have intensified but Mr Liebenberg has to consider promises made in the reconstruction and development programme, which is supported by all political parties, to improve services.

## Cricket

First of the World Cup semi-finals, Calcutta. The other semi is on March 14 (Chandigarh).

## THURSDAY

Berlusconi committal hearing A committal hearing in Milan is due to decide whether Silvio Berlusconi, the media magnate and former Italian prime

minister, should stand trial on charges of illegally channelling funds to another former prime minister, the disgraced Rettino Craxi.

Dubai Desert Classic (to March 17).

Public holidays

## Andorra, Guyana. FRIDAY

IMF decision on Hungary The International Monetary Fund decides whether to grant Hungary a much-delayed stand-by loan - the first since the Socialist-Liberal coalition took power in July 1994. The loan is dependent on parliament this week passing a tight Ft17.8bn (\$124m) social security deficit for this year. The Organisation for Economic Co-operation and Development membership of which Budapest sees as an important step towards joining the European Union – has said it will admit Hungary this year if the loan goes

## Carlsson retires in Sweden

A congress of Sweden's ruling Social Democratic party is set to elect Göran Persson, the finance minister, as its new leader to succeed Ingvar Carlsson, who is retiring after 10 years in the post. Mr Persson will formally take over as prime minister following a parliamentary vote on March 21. Meanwhile, the congress debate on SDP policy for the new century will pit reformists seeking to modernise the party against traditionalist defenders of Sweden's all-pervading welfare state.

### Lib Dem conference The Liberal Democrats, the UK's third political party, hold their spring conference in Nottingham (to March 17). Party leader Paddy Ashdown will put

members on election alert, and policy debates will include law and order, further education and Europe.

## Mastering Management

The FT's 20-part series continues in the UK edition with part 19. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton. Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7380.

### FT Survey Kent.

**Public holidays** Belarus, Hungary, Liberia.

## SATURDAY

## Saleroom



15

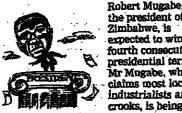
Albert Einstein's autographed working manuscript for his special par's trade theory of relativity comes up for suction at Sotheby's in New York. The 72 page manuscript, probably written in 1912, was unknown until it sold

at Sotheby's in 1987 for \$1.2m (£770,000). This time it is estimated it will letch up to Som. The manuscript represents a landmark in human thought and is the earliest and longest devoted to Einstein's theory.

## Apec ministers in Kyoto

Finance ministers of the 18 members of the Asia Pacific Economic Co-operation council meet in Kyoto to discuss foreign exchange movements and investment in Asia (to March 17). Ministers are expected to call for a consideration of regional currency stabilisation in order to ward off foreign exchange crises. A proposal for a mixed public and private sector fund - led by Japan - to invest in Asian infrastructure projects will also be discussed. The meeting, the third of its kind, will be opened by Michel Camdessus, the managing director of the international Monetary Fund. He will give a report on the economic situation of each Apec country.

## Mugabe seeks fourth term



the president of Zimbahwe is expected to win a fourth consecutive presidential term. Mr Mugabe, who claims most local industrialists are crooks, is being challenged by Abel Muzorewa, a former

THE ST.

premier, and the Rev Ndabaningi Sithole, whose Zanu-Ndonga party is said to be linked to rebels operating from Mozambique. Mr Sithole - free on bail after being charged with plotting to essassinate Mr Mugabe – denies the claim. With two out of the 150 seats, Mr Sithole's party is the only opposition party with representation in parliament.

## Rugby union

Five nations' championship: England v Ireland, London, Wales v France, Cardiff.

America's Mike Tyson and Britain's Frank Bruno tangle in Las Vegas. At stake: Bruno's WBC heavyweight crown.

## SUNDAY

Cricket

World Cup final, Labore.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

# Other economic news

Monday: UK manufacturing production is forecast to show a small upturn for January, having fallen sharply in December. Manufacturers' input and output price infla-tion is also thought to have eased last month, easing pressure on interest rates.

Tuesday: The Swiss economy is forecast to have shrunk slightly in the fourth quarter last year, having been flat in the third. Germany's trade surplus is also forecast to have narrowed a little in December. Wednesday: Unepmloyment

in the UK is forecast to have fallen again in February, but by much less than in the previous month. Spanish inflation is meanwhile thought to have fallen slightly.
Thursday: US annual producer price inflation is pre-

dicted to have been unchanged in February as cost pressures

continue fading. Employment in Australia is thought to have risen in February, reversing the previous month's decline. Friday: US consumer price is predicted to have been stable last month, following the increase which took place at

the turn of the year. Factory orders are thought to have fallen in January following December's increase.

# Statistics to be released this week

Day Released	Country.	Reconomic Statistic	Median Forecast	Previous Actual
Mou	US	Jan new home sales	635,000	639,000(es
Mar 11	US	Jan home completions	•	1.28m (est)
	Germany	Jan manufacturing output, West*	-1.0% .	0.7% (rev)
. `	Germany	Jan indust prodition, pan-Germany	-0.4%	-1.0% (rev)
	France	Feb consumer price indx, prelim*	0.3%	0.1%
	UK	Jan Industrial production*	0.0%	0.4%
	UK .	Jan industrial production	1.8%	1.8%
	UK	Jan manufacturing output*	0.2%	-0.7%
	UK	Jan manufacturing output**	0.9%	-0.2%
	UK.	Feb producer price indx input*	-0.1%	-0.3%
	ŲK	Feb producer price indx input	3.4%	4.0%
	UĶ	Feb producer price indx output*	0.2%	0.4%
<del>- ;</del> ;	UK, ,	Feb producer price indx output**	3.7%	3.8%
· .	UK	Feb PPI ex food, drink & tobecco**	3.5%	3.6%
Tues	US	Jan wholesale trade	-	1.4%
Mar 12	US	4th qtr current a/c	<u>-</u> .	-\$39.5bn
	Japan	Jan mach'ry orders ex-power/ships*	-4.5%	7.0%
	Japan	Jan mach'y orders ex-power/ships**	13.3%	15.2%
	Germany	Dec trade balance	DM8.0bn	DM10.6bn
	Germany	Dec current a/c	-DM2.0bn	DM0:7bn
Wed	บร.	Feb Atlanta Fed indx	- ,	-12,3
Mar 13	UK	Feb unemployment	-10,000	-29,300
	UK ·	Jan average earnings	3.25%	3.25%
	UK :	Jan unit wages 3-month**	4.6%	4.5%
	Spain	Feb consumer price Indx*	0.3%	0.8%

Day Released	Country	Economic Statistic	mecian . Forecast	Actual .
Thur	US	Feb producer price indx	0,2%	0.3%
Mar 14	US	Ditto ex-food & energy.	0.2%	-0.1%
•	US	Initial claims w/e 9/03	365,000	
	Japan	Feb overalli wholesale price indx*	0.1%	0.2%
· . ·	Japan	Feb overall wholesale price indx**	0,0%	0.2%
Fri	us	Feb consumer price indx	0.2%	0.4%
Mar 15	us	Ditto ex-food & energy	0.2%	0.3%
٠.	us	Feb industrial production	0.9% .	-0.6%
	US	Feb capacity utilisation	82.5%	81.9%
	US	Mar Michigan sentiment prelim	-	88.5
	us	Feb real earnings	•	-1.7%
	US	Feb bank credit	- :	<b>9.7%</b>
·	US.	Feb C&i loans		11.4%
	Japan	Jen industrial production?	- :	0.5%
	Japan `	Jan shipments†	-	0.7%
During t	he week			
	Japan .	Feb trade balance (customs cleared	) \$5.1bn	\$11,30n
	Japan	4th atr gross domestic prod†	0.3%	0.6%
	Japan	Feb Tokyo dept store sales**	F 3	3.6%
	Germany '	Jan capital a/c	- ,	-DM4.5bn
	Germany	Jan orders, West	0.0%	0.8%
	Germany	Jan retail sales, reel**	-1.0%	-3.0%
(-	Germany .	Jan retail sales, real †	- ' ; .	2.0%
	Spain	Jan trade belance	-Pta175.0bn	-Pta173bn

# ACROSS 1, 4 Paper shirts I designed for

- a clergyman (6.6)

  8 What a "suspended sentence"
  used to mean? (7)
- 9 Times newspaper shock, we're told (7) 11 Ordered home before becom-
- ing unwell (10)
  12 Raced to front gate and called
- 13 Top man admitted being shoddy (5)
  14 Liqueur distilled in ten set (8)
- 16 NCO rejected work in cattle
- pen (S) 18 Cold tar to one side of taxi

- executive (10)

  23 Liar left off guard swallows something fishy (7)

  24 Reckless act injured animal (7)

  25, 26 Came in gloom to tour North London area (6.6)

  17 If raising a parking trial could be prejudiced (7)

  19 Tediousness of drill work on motorway (7)

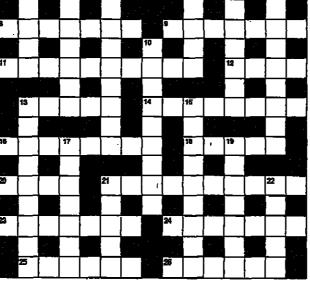
  21 Fool taking nightlight round front room (5)

  22 See 7

- 13 down Something barred for people who don't like it milky? (5,9) 2 Music paper brought up issue
- Cane for interrupting a
- French period? (5)
  6 Recommend putting stop to rose cultivation (7)
  7. 22 Keep having a go it could win the rugby match'

(3.3.3.5)

- 10 Fool a scruffy Latin attacker (9) 13 See 1 down 20 With front removed smell is grim! (4)
  21 Wanting cooked meal ring AA
  17 If raising a parking trial could



# **MONDAY PRIZE CROSSWORD** No.9,015 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of 235 Pelikan vouchers will be awarded. Solutions by Thursday March 21, marked Monday Crusword 8,015 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI 8HL Solution on Monday March 25. Please allow 28 days for delivery

Winners 9,003 G.J. Morrow, Port Erin, Isle of M.Brockbank, Southport, Lancs T.G. McCann, Ballymena,

County Antrim Diane Coutts, Stramshall, C. Reader, London NW1 D. Turgoose, Chilwell, Notting-

Solution 9.003

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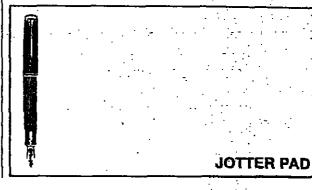
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